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Replies to initial questions raised by Legislative Council Members in examining the Estimates of Expenditure 2023-24

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FSTB(FS)001

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2873)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(700) General non-recurrent
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The provision of $760.7 million for 2023-24 is $388.7 million, or 33.8%, lower than the revised estimate for 2022-23, mainly due to the one-off cash flow requirement for non-recurrent commitment item for the eMPF Platform project, and the system of the Platform will be ready for onboarding by Mandatory Provident Fund schemes in sequence by the end of April 2023. In this regard, will the Bureau:

1. inform this Committee of the day-to-day operational expenses of the eMPF Platform in the coming year; and
2. set out in details the general non-recurrent items other than the eMPF Platform, and their respective estimated expenditures and completion dates?

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

Reply:

Reply to the two-part question is as follows.

(1)

The non-recurrent commitment earmarked by the Government for the eMPF Platform Project is mainly used to cover contractual payment in relation to the Platform's software and hardware development, operation of the data centres and system maintenance work (Project costs), the eMPF Platform Company Limited (the Company)'s initial operating expenditure (Company's expenditure), and other one-off expense items.

In addition, the Government's cash flow estimate in relation to the eMPF Platform Project in a financial year is mainly based on the Budget and Work Plan for the subsequent financial year proposed by the Mandatory Provident Fund Schemes Authority (MPFA) and the

Company. The Government's provision in the estimates will be used to meet the forecast expenditure of the Project in the following year.

The Government has set aside about $234.31 million for the eMPF Platform Project in its estimate for the 2023-24 financial year, which is roughly $400 million less than the $631.87 million cash flow requirement in the revised estimate for 2022-23. This is mainly due to some one-off cash flow requirement for the eMPF Platform Project in 2022-23, including a cash advance of $195.5 million to assist the Company in meeting its company expenditure before it is able to fully recoup its operational cost through collecting fees from Mandatory Provident Fund (MPF) trustees who get onboard to the eMPF Platform; and a one-off financial assistance of $196.1 million to be disbursed to the 5 "early adopters" (i.e. MPF trustees who are willing to get onboard to the eMPF Platform at an early stage) when they complete onboarding.

Details of the estimates are as follows –

Expenditure items (Unit: $ million)	Government Financial Year	
	2022-23	2023-24
Project costs [Note1]	240.32	326.96
Company's expenditure	/ [Note2]	/ [Note2]
Financial assistance to "early adopters"	196.05	/
Cash advance	195.50	(92.65) [Note3]
Total	**631.87**	**234.31**

Note1: *Inclusive of Government Cloud Infrastructure service fees.*

Note2: *From 2023-24, MPF trustees will get onboard to the eMPF Platform in phases and will pay Platform fee to the Company; from that year onwards, the Company will collect Platform fee from onboarded trustees to meet its company expenditure. Hence, starting from the 2022-23 financial year, the Government will no longer provide funding support on this area.*

Note3: *The Company is expected to repay the cash advance in 2 instalments.*

The above-mentioned cash flow estimation is based on the Budget and Work Plan for the subsequent financial year proposed by the MPFA and the Company, and premised on the assumption that the eMPF Platform Project will be implemented in accordance with the timeline stipulated in the contract. In the event of Project slippage, the Government will reflect the impact of the delay on the cash flow of the Project in its 2023-24 revised estimate.

(2)

Apart from the eMPF Platform, the details of the other general non-recurrent items, their estimated expenditures (cash flow requirement) and expected completion dates are as follows –

	Item	2023-24 Estimated Expenditure (cash flow requirement) (Unit: $ million)	Expected Completion Date
1.	Funding for promoting and facilitating the development of the financial services sector (Details at **Annex**) (Approved commitment: $1,285 million [Note 4])	290.45	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 ongoing initiatives or initiatives to be implemented in 2023-24 are at **Annex**.
2.	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector (Approved commitment: $155 million [Note 5])	21.00	The Pilot Programme launched in 2016 will be further extended for 3 years until 2025-26.

Note 4: *The commitment for the item includes $1,273 million as approved in 2018-19, 2021-22 and 2022-23 and an increase in commitment of $12 million, subject to the passage of the Appropriation Bill 2023.*

Note 5: *The commitment for the item includes $100 million approved in 2016-17 and an increase in commitment of $55 million, subject to the passage of the Appropriation Bill 2023.*

Annex

Ongoing initiatives and other measures to commence in 2023-24 supported by "Funding for promoting and facilitating the development of the financial services sector"

	Initiatives	2023-24 Estimated Expenditure (cash flow) (Unit: $ million)	Expected time of completion
1.	Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (total commitment for the item: $270 million)	90.00	2023-24
2.	Green and Sustainable Finance Grant Scheme (total commitment for the item: $255 million)	65.00	2024-25
3.	Pilot Insurance-linked Securities Grant Scheme (total commitment for the item: $72 million)	24.00	2025-26
4.	Pilot Green and Sustainable Finance Capacity Building Support Scheme (total commitment for the item: $200 million)	67.00	2025-26
5.	Pilot Scheme on Training Subsidies for Fintech Practitioners (total commitment for the item: $38 million)	14.00	2024-25
6.	Consultancy study on developing Fintech professional qualifications for the securities and insurance sectors (total commitment for the item: $5 million)	3.00	2023-24
7.	Publicity programme for the registration regime for the dealers in precious metals and stones (total commitment for the item: $2.6 million)	2.60	2023-24

	Initiatives	2023-24 Estimated Expenditure (cash flow) (Unit: $ million)	Expected time of completion
8.	Set Sail for GBA 2023 – Scheme for Financial Leaders of Tomorrow (total commitment for the item: $1.4 million)	1.40	2023-24
9.	Financial Technology Internship Scheme for Post-Secondary Students in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area (total commitment for the item: $12 million)	12.00	2023-24
10.	Asian Financial Forum (annual estimated requirement for the item: about $7 million)	7.00	Not applicable
11.	Others	4.45	Not applicable
	Total	**290.45**	

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)002

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2893)

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:

One of the "Matters Requiring Special Attention in 2023-24" is to "promote the development of financial technologies (Fintech) in Hong Kong". Will the Bureau inform this Committee of:

1. the projects introduced in the past 2 years as well as the staff establishment and expenditure involved;
2. the projects to be introduced in 2023-24 and the expenditure to be involved; and
3. whether any of the projects is directly related to Fintech for the banking sector; if yes, the relevant share in the estimated provision.

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 42)

Reply:

The Government, through liaison with the industry 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, as well as strengthening connection and collaboration with the Mainland and overseas markets. Specifically, our major work in the past 2 years and in 2023-24 is set out below, among which many projects are related to the banking industry.

Enhancing financial infrastructure

(a) Since the launch of the Faster Payment System (FPS) in 2018, the usage of the FPS has expanded from person-to-person transactions to merchant payments and top-up transactions, and add-on services for Web-to-app and App-to-app payments were successively launched which have facilitated development of electronic payments. The FPS has also been expanded to payments for various Government bills and services. Currently, over 80% of Government departments provide FPS service as a payment option, and more public services will accept FPS payment in the next 2 years. The Hong Kong Monetary Authority (HKMA) is also working with the Bank of Thailand to explore the use of Hong Kong's FPS and Thailand's PromptPay by visitors from the 2 places for local payment, providing them with another safe, fast and effective payment option. Implementation details and timetable will be subject to the ongoing discussion between the 2 sides. The HKMA will continue to work closely with the industry and other stakeholders to further explore new use cases of the FPS and enhance its functionality to facilitate adoption by users.

(b) The HKMA announced in September last year the policy document on e-HKD, suggesting that it will study the technology and legal foundations as well as use cases for e-HKD, for preparation for the possible implementation of e-HKD in future. The relevant work is in progress, and the timetable for implementation of e-HKD has yet to be firmed up.

(c) Since the launch of Commercial Data Interchange (CDI) in October last year, the service has attracted the participation of 23 banks with material business in small and medium enterprises and 10 data providers. The HKMA has been actively exploring new use cases to boost the adoption of the CDI. For example, the CDI will be linked to the Consented Data Exchange Gateway developed by the Government. That will facilitate introduction of more government data sources into the CDI, thereby allowing financial institutions access to more useful data. We will continue to explore expanding the functionality of the CDI to enrich the data-driven financial service ecosystem.

<u>Building the Fintech ecosystem and nurturing talents</u>

(d) We launched with an allocation of $10 million in 2021 the Fintech Proof-of-Concept Subsidy Scheme to encourage traditional financial institutions to partner with fintech companies to conduct Proof-of-Concept projects on innovative financial services products. A total of 93 projects were approved. We allocated another $10 million last year for launching a new round of the Subsidy Scheme, with 32 projects approved in Phase 1. The vetting of proposals of Phase 2 is expected to complete in March this year.

(e) We launched 2 rounds of Financial Practitioners Fintech Training Programme in 2020 and 2022, with a view to enhancing financial practitioners' knowledge of the practical application of Fintech, and promoting the digital transformation of financial services. With a total allocation of $5 million, the two-round programme attracted participation of around 4,000 financial practitioners.

(f) We allocated $120 million from the Anti-epidemic Fund to launch the Fintech Anti-epidemic Scheme for Talent Development in 2020 to subsidise Fintech companies, start-ups and other enterprises with Fintech-related businesses to employ local Fintech talents. A new round of the scheme was launched in 2022. The two-round scheme has so far created a total of around 870 new jobs.

(g) The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech. We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The internship scheme will provide more than 150 internship in Hong Kong and the GBA. Specific internship placement arrangement will be announced in due course.

(h) We are actively developing professional qualifications recognised under the Qualifications Framework for Fintech practitioners. The first batch of Fintech professional qualifications for the banking sector was rolled out in September last year. Financial practitioners who have successfully attained the relevant qualifications could obtain reimbursement of the tuition fees. At the same time, we are exploring to develop Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study will commence in the first quarter of this year, and expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners. The estimated expenditure of the measures concerned is $43 million.

<u>Strengthening cooperation with the Mainland and overseas</u>

(i) Hong Kong has established a one-stop platform with the Mainland for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech initiatives, speeding up the launch of products and reducing development costs. The initiatives concerned include cross-boundary account enquiry service, cross-boundary remittance automatic add value application, cross-boundary remote account opening services and services related to Cross-boundary Wealth Management Connect.

(j) On e-CNY, the HKMA and the Digital Currency Institute of the People's Bank of China (PBoC) have commenced the second phase of technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, involving the participation of more banks of Hong Kong in the testing and using the FPS to top up e-CNY wallets. The use of e-CNY will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in Hong Kong and the Mainland. It will enhance the efficiency and user experience of cross-boundary payments, and help promote the interconnection between the 2 places.

(k) The HKMA, together with 3 central banks, namely the Digital Currency Institute of the PBoC, the Bank of Thailand, and the Central Bank of the United Arab Emirates, as well as the Bank for International Settlements Innovation Hub Hong Kong Centre are conducting a project named mBridge, researching on the application of wholesale Central Bank Digital Currency (CBDC). The project went beyond experimentation and entered the pilot phase in Q3 2022, with 20 banks in the 4 jurisdictions participating. The HKMA will continue to examine with the rest of the project team the possibility of providing an option for the central banks to use the CBDC to improve the pace of cross-border payment.

(l) The second phase of the Proof-of-Concept on the connection between the blockchain-based eTradeConnect and the Trade Finance Platform of the PBoC has been completed, covering the use cases of exports from Hong Kong and imports into the Mainland. Hong Kong and the Mainland will continue enhancing cooperation, with a view to providing importers and exporters of both places with more convenient trade finance services.

(m) The dedicated Fintech team in InvestHK will promote Hong Kong's advantages in the Mainland and overseas, including organising the annual flagship event "Hong Kong Fintech Week" in the fourth quarter this year, so as 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 and manpower will be absorbed from within existing resources in the Financial Services Branch. Apart from the allocation for above internship, subsidy and training schemes, we do not have a separate breakdown on the expenditure involved.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)003

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0386)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

Under the impact of the epidemic, the local insurance industry is also affected. In particular, it has dealt a heavy blow to the business with Mainland customers. As mentioned in the Budget, Hong Kong will gear up for speedy recovery on the path to normalcy, and this is also what the insurance industry currently strives for. In this connection, will the Government inform this Committee of the following:

a. whether specific measures, such as publicity events in Mainland cities in the Greater Bay Area, will be introduced to assist the recovery of the insurance industry;

b. whether the Government will speed up establishing mutual access arrangements between the insurance industries of Hong Kong and the Greater Bay Area;

c. whether the Government will consider reviewing the compliance regulations and requirements of the insurance industry and removing outdated regulations to reduce its compliance costs?

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

Reply:

The Government is dedicated to strengthening Hong Kong's position as a global risk management centre for participating in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) as well as connecting with the Mainland and global markets under the national "Dual Circulation" strategy. To this end, we issued in December 2022 the Development Roadmap for the Insurance Sector in Hong Kong, outlining relevant visions and policies which include facilitating the Hong Kong insurance industry in its integration into national development and implementing proactive initiatives to enlarge the market accessible by the industry.

With gradual stabilisation of the epidemic in the past year, business from Mainland clients has shown significant recovery from the low level in 2021. According to statistics published by the Insurance Authority (IA), new business premiums derived from Mainland visitors were $2.1 billion in 2022, representing a 200.3% increase over the same period in 2021. Following the full resumption of normal travel between Hong Kong and the Mainland, we believe that Mainland visitors business will gradually recover.

To support the insurance industry in seizing opportunities for market expansion, we are stepping up efforts to strive for the early establishment of insurance after-sales service centres by the Hong Kong insurance industry in places such as Nansha and Qianhai, with a view to providing comprehensive support services to GBA residents who are holders of Hong Kong policies. This is an important step towards mutual access of insurance markets in the GBA. Further to maintaining contact with relevant authorities at the Central and municipal level, we have been able, since the full resumption of normal travel early this year, to exchange views with delegations from Guangdong, Shenzhen, Guangzhou, etc., on the implementation of financial cooperation initiatives including insurance after-sales service centres and promote early roll-out of relevant measures during the Hong Kong/Guangdong Co-operation Joint Conference and other physical meetings. The IA will also visit counterparts in the GBA more frequently, while cooperating with the industry to plan promotional activities.

Moreover, 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 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. For example, in undertaking the legislative exercise for implementation of a risk-based capital regime to strengthen the financial soundness of insurance companies, we will also provide flexibility in consideration of the actual situation and operational needs of the insurance industry by such ways as empowering the IA to exempt smaller scale insurance companies carrying on general business in relation to some requirements on appointment of actuary. We will maintain close contact with the insurance industry and other stakeholders, so as to ensure that our regulatory regimes and compliance requirements move with the times with a view to striking a balance between prudent regulation and strengthening competitiveness of our market.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)004

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0387)

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 expenditure of the Bureau next year will be drastically reduced by 33.8% compared to this year, mainly due to the one-off cash flow requirement for the eMPF Platform Project this year. In this connection, would the Government advise this Committee of the following:

a. Will the implementation time of the eMPF Platform be delayed due to the epidemic? Can the Platform be fully functional as scheduled in 2025?
b. It was originally estimated by the Government that system development of the Platform would be completed last year, with system testing carried out early this year. Is the schedule still being followed?
c. Out of the $4.9 billion allocated by the Government to the Platform, nearly $3.3 billion remains unused. Would the Government provide the details on the use of funds?

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

Reply:

For Programme (1), the estimate for 2023-24 is lower than the revised estimate for 2022-23 by about 30% ($388.7 million), mainly due to some one-off cash flow requirement for the eMPF Platform Project in 2022-23, including a cash advance of $195.5 million to assist the eMPF Platform Company Limited (the Company) in meeting its company expenditure before it is able to fully recoup its operational cost through collecting fees from Mandatory Provident Fund (MPF) trustees who get onboard to the eMPF Platform; and a one-off financial assistance of $196.1 million to be disbursed to the 5 "early adopters" (i.e. MPF trustees who are willing to get onboard to the eMPF Platform at an early stage) when they complete onboarding.

Reply to the three-part question is as follows.

(a)&(b) According to the assessment by the Contractor engaged by the Mandatory Provident Fund Schemes Authority (MPFA) and the Company, it is highly likely that completion of the system development of the eMPF Platform Project will be deferred to mid-2023. As a result, the subsequent testing work will very likely be deferred and completed in the fourth quarter of 2023. In other words, it is highly likely that the delivery of the eMPF Platform by the Contractor will be delayed by 8 months as compared to the requirement as stipulated in the contract. Nonetheless, the ultimate target of completing the onboarding of all MPF schemes and making the eMPF Platform fully functional in 2025 remains unchanged.

The MPFA and the Company have requested the Contractor to work out a recovery plan to catch up on the progress and minimize the expected delay. Moreover, the Contractor was requested to engage a third-party professional consultant to conduct an independent assessment on the recovery plan to ascertain its feasibility and credibility. To prevent further slippage of the Project and safeguard system integrity, the MPFA and the Company have put in place various project management enhancement measures to step up the involvement of the Contractor's top management, project monitoring and resources management.

At the same time, the Company has reserved all its rights under the contract, including legal actions against the Contractor such as claiming liquidated damages from the Contractor for its delay in system delivery.

(c) The Government's non-recurrent commitment of about $4.9 billion for the eMPF Platform Project is mainly used to cover contractual payment in relation to the Platform's software and hardware development, operation of the data centers and system maintenance work (Project costs), the Company's initial operating expenditure (Company's expenditure), and other one-off expense items.

In addition, the Government's cash flow estimate in relation to the eMPF Platform Project in a financial year is mainly based on the Budget and Work Plan for the subsequent financial year proposed by the MPFA and the Company. The Government's provision in the estimates will be used to meet the forecast expenditure of the Project in the following year.

In the past 3 financial years, the Government had disbursed a total of some $1.6 billion to the MPFA and the Company to take forward the eMPF Platform Project, with details as follows –

Expenditure items (Unit: $ million)	Government Financial Year			
	2020-21	2021-22	2022-23	**Total**
Project costs	236.63	448.26	240.32	925.21
Company's expenditure	158.75	166.83	/ Note	325.58
Financial assistance to "early adopters"	/	/	196.05	196.05
Cash advance	/	/	195.50	195.50
Total	395.38	615.09	631.87	**1,642.34**

Note: From 2023-24, MPF trustees will get onboard to the eMPF Platform in phases and will pay Platform fee to the Company; from that year onwards, the Company will collect Platform fee from onboarded trustees to meet its company expenditure. Hence, starting from the 2022-23 financial year, the Government will no longer provide funding support on this area.

The above-mentioned cash flow estimation is based on the Budget and Work Plan for the subsequent financial year proposed by the MPFA and the Company, and premised on the assumption that the eMPF Platform Project will be implemented in accordance with the timeline stipulated in the contract. In the event of Project slippage, the Government will reflect the impact of the delay on the cash flow of the Project in its 2023-24 revised estimate.

- End -

Reply Serial No.

FSTB(FS)005

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0388)

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 136 of the Budget Speech that the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector has been well received since its launch in 2016 and that the Government will extend the programme for 3 years to nurture more talents for the industry and enhance the professional competency of practitioners. In this regard, will the Government inform this Committee of:

a. given that the programme has been implemented for almost 7 years and has won the Government's recognition for its effectiveness in nurturing talents, the reasons for not regularising the programme;
b. the reasons that the estimated expenditure for the programme in 2022-23 is $4 million only, which is far below the average annual expenditures in the past; whether the information on the actual number of persons enrolling in various training programmes can be provided;
c. whether the injection of $55 million into the programme as stated in the Budget this year is sufficient for meeting the expenditure for the next 3 years;
d. given that the insurance sector will have a keen demand for talents in the future, whether the Government will consider increasing the number of training places and enhance the programme to cope with the latest development.

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

Reply:

The Government launched in August 2016 the "Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector" (Pilot Programme) to provide subsidy for tertiary student internships and professional training for practitioners, and promote employment opportunities and career prospects of the industries through different channels.

Various initiatives under the Pilot Programme were implemented at different time. To promote career opportunities in the industries and various initiatives under the Pilot Programme, we conducted large-scale promotional activities such as career fairs and school workshops at early stages of the Pilot Programme. Relevant expenses were therefore concentrated at early stages of the Pilot Programme. As the industry and tertiary students gradually become familiar with the Pilot Programme, we focused on the Student Internship Programme and Financial Incentive Scheme for Professional Training (FIS), and correspondingly, the revised estimates for 2022-23 mainly reflect expenses related to these initiatives.

For the insurance sector, the Pilot Programme, since its launch, has provided about 450 internship positions to tertiary students and over 15 000 industry practitioners have taken part in subsidised training courses. Therein, we arranged internship for 83 tertiary students in 2022-23, which was more than each of the previous years, while the number of insurance practitioners taking part in training courses sponsored in the latest round of the FIS also reached 6 850, given the broad application of online course delivery. For the asset and wealth management sector, over 580 tertiary students have completed their internships with about 3 800 applications for professional training course fee subsidy approved since the launch of the Pilot Programme, within which internships were arranged for 152 tertiary students and about 530 applications for professional training course fee subsidy were approved in 2022-23. Participants have provided very positive evaluation feedback.

We have conducted holistic review on the effectiveness and operation of each initiative of the Pilot Programme, and taken into consideration the feedback from participants and suggestions from the industries. The Financial Secretary has announced in the 2023-24 Budget that the Pilot Programme will be extended for 3 years to nurture more talents for the industries and enhance professional competency of practitioners. In the coming 3 years, we will focus on the measures that support student internships and professional training for industry practitioners and make various enhancements, including the extension of the duration and eligibility of internships, and increase of the quota for student internships and training for industry practitioners. The proposed injection reflects corresponding estimated expenses. We will continue to consider the views of participants and the industries, and review the Pilot Programme as appropriate in tandem with the ever evolving industry landscape.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)006

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0389)

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 schemes for annuity premiums and Mandatory Provident Fund voluntary contributions, which have been well received since their launch, have successfully incentivised more members of the middle class to get prepared for their retirement. This is indeed a reflection of how the social value of insurance is unleashed as outlined in the Development Roadmap for the Insurance Sector in Hong Kong. However, some industry members pointed out that the maximum tax deductible limit of the two schemes, which is set at a total of $60,000, cannot meet the needs of the public. They suggested an increase in the tax deductible limit so as to encourage more people to join the schemes and hence further unleash the potential social value of insurance. In this regard, will the Government inform this Committee of:

a. the total numbers of participants and amounts of tax deducted under the two schemes since their launch;
b. given that the Bureau said in last year's reply that half of the participants had not made a full use of the $60,000 deduction, the latest figures on the amounts of tax deducted under the schemes, including the number of participants who have made a full use of the deduction and the average and median amounts of tax deducted;
c. given that the schemes have been implemented for nearly 4 years, whether it is now the right time to evaluate the effectiveness of the schemes and make enhancements;
d. whether the Bureau will explore and propose more new insurance schemes so as to achieve the Government's objective of unleashing the social value of insurance.

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 4)

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 annuity policies (QDAP) and contributions made to Mandatory Provident Fund (MPF) tax-deductible voluntary contributions (TVC) 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 to 2021-22, as at early March 2023, deduction of around $34.6 billion was allowed to around 760 000 counts of taxpayers under this tax deduction arrangement. This 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 at early March 2023, of the taxpayers who were allowed tax deduction, around 47% were allowed a tax deduction of less than $60,000. The average and median amounts of tax deducted were around $46,000 and $60,000 respectively. It suggests that there is still 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. A detailed breakdown of the relevant tax deduction figures is provided below:

	Tax deducted via the QDAP only	Tax deducted via the MPF TVC only	Tax deducted via both products	Overall
Proportion of taxpayers with tax deduction being less than $60,000	34%	67%	29%	47%
Average amount of tax deducted ($)	56,000	31,000	53,000	46,000
Median amount of tax deducted ($)	60,000	18,000	60,000	60,000

To enrich product variety, the Insurance Authority introduced Protection Linked Plans with simple and transparent fee structure in 2021. We will work with the industry to meet the different risk management needs of citizens in different stages of life, thereby narrowing the protection gap and promoting financial inclusion.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)007

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0390)

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 indicated under Programme (1) that the Bureau will enhance promoting Hong Kong's efforts in initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development in respect of the financial services sector. In particular, the insurance sector is very concerned with the initiative of taking forward insurance after-sales service centres in the GBA. In this connection, would the Government inform this Committee of the following:

a. Given that the GBA has returned to normalcy, whether preparation work for the relevant after-sales service centres has fully resumed? If yes, what is the current progress?

b. In view of the highly sophisticated and professional nature of the insurance market as reflected by the insurance sector, if the authorities concerned of the two places are holding a meeting to discuss the details, would the Bureau consider inviting the Hong Kong Federation of Insurers as an expert adviser to participate in the discussion or provide accurate market information to ensure that the specific details are in line with the market situation?

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

Reply:

The Government is dedicated to strengthening Hong Kong's position as a global risk management centre for participating in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) as well as connecting with the Mainland and global markets under the national "Dual Circulation" strategy. To this end, we issued in December 2022 the Development Roadmap for the Insurance Sector in Hong Kong, outlining relevant visions and policies. Key measures include striving for the establishment of insurance after-sales service centres in places such as Nansha and Qianhai with the participation of the insurance industry, and further exploring feasible ways of connecting insurance markets in the Mainland and Hong Kong on this foundation.

The Insurance Authority (IA) and Mainland regulators have reached in-principle consensus on the implementation proposal for establishing insurance after-sales service centres, and are deliberating specific details such as unified standards and requirements. Following the full resumption of normal travel between Hong Kong and the Mainland, we are stepping up exchange with counterparts in Shenzhen, Guangzhou, etc., to seek early roll-out of the measure.

We value participation of the insurance industry in the deliberations which would ensure that the after-sales service centres would cater to market needs. We are working with the Hong Kong Federation of Insurers in parallel to set out the mode of operation of the service centres, with a view to providing comprehensive support services in various areas including enquiries, claims and renewal of policies to GBA residents who are holders of Hong Kong policies as soon as practicable after the implementation proposal is finalised.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)008

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0391)

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 Programme (1) that the Bureau will promote 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. In this connection, would the Government inform this Committee of the following:

a. The Bureau has indicated that it will discuss with the relevant Mainland authorities the launch of cross-boundary sale of Hong Kong insurance products (i.e. Insurance Connect) after gaining experience from the launch of the Cross-boundary Wealth Management Connect (Wealth Management Connect). Now that the Wealth Management Connect has been in operation for over a year, when will the Bureau start exploring the launch of the Insurance Connect with the Mainland authorities?

b. The Bureau has also indicated that it will 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 through the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). What progress has been made so far?

c. Regarding the proposed implementation of the "unilateral recognition" policy for Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge, what progress has been made so far?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 6)

Reply:

The Government is dedicated to strengthening Hong Kong's position as a global risk management centre, in order to take part in the national "Dual Circulation" strategy as both "promotor" and "facilitator". To this end, we issued in December 2022 the Development Roadmap for the Insurance Sector in Hong Kong. Our response to the respective parts of the question on measures relating to integration of the insurance sector into national development is as follows:

a) Following the full resumption of normal travel between Hong Kong and the Mainland, we are actively working for the early establishment of insurance after-sales service centres with the participation of the Hong Kong insurance industry in places such as Nansha and Qianhai, with a view to providing comprehensive support services in various areas including enquiries, claims and renewal of policies to GBA residents who are holders of Hong Kong policies. We believe that the experience gained from implementing the after-sales service centre initiative, as well as administering the Cross-boundary Wealth Management Connect will provide useful reference for exploring cross-boundary sale of Hong Kong insurance products. We will work with the Insurance Authority (IA) to explore feasible ways of enhance connectivity between insurance markets in the Mainland and Hong Kong, and 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 on total assets and establishment of representative office in the Mainland for Hong Kong insurance agency companies setting up whole-owned insurance agency companies in the Mainland, etc. We will continue to strive to lower the market access threshold under CEPA, so as to facilitate Hong Kong insurance companies and insurance intermediaries in setting up operation and developing business in the Mainland.

c) Regarding the "unilateral recognition" policy for cross-boundary motor insurance, the IA and Mainland regulators have reached consensus for the measure to be rolled-out in step with the Quota-free Scheme for Hong Kong Private Cars Travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge. Currently, more than 10 Hong Kong insurance companies are ready to offer "unilateral recognition" products and provide greater convenience for relevant Hong Kong private car owners.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)009

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0392)

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:

Since the pandemic, the insurance sector has been working hard to develop insurance technology (InsurTech) to accept online applications for insurance covers and to reduce face-to-face contacts. At the same time, to enhance operational efficiency and safety, our insurance sector needs to introduce the latest InsurTech for entering the Mainland cities in the Greater Bay Area or achieving international expansion in the future. It is therefore expected that the future operation of our insurance sector will undergo significant changes. The sector is now making studies through the following areas:

- Adopt Application Programming Interface (API) technology to assist the sector to connect with different industry partners;
- Establish cloud operation models to require insurance companies to perform their operations on cloud;
- Assist the sector to apply data analysis to continue to combat insurance fraud;
- Continue to promote the application of blockchain authentication technology; and
- Develop artificial intelligence for application in underwriting and reinsurance management

Would the Bureau consider establishing a working group with participation of other relevant departments to assist the insurance sector to fully introduce technology-based operation models for enhancing the competitiveness of the sector?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 8)

Reply:

The Insurance Authority (IA) set up the Insurtech Facilitation Team in 2017 to maintain close collaboration with the industry, Government and other financial regulators, and support companies interested in developing Insurtech business.

The Insurtech Facilitation Team is drafting the Open API Framework for the insurance sector. A working group comprising over 30 experts and professionals from the industry has been formed to solicit pilot use cases for Framework development. The Framework is targeted for launch this year to facilitate data sharing amongst the insurance sector, and bring brand-new financial services and user experience to customers.

In relation to combating insurance fraud, the IA encourages authorized insurers to participate in the Insurance Fraud Prevention Claims Database (IFPCD) initiated by the Hong Kong Federation of Insurers. The IFPCD analyses and organises claims data using artificial intelligence technology to help insurers identify suspicious claim cases and promote sound development of the market.

To keep abreast of new technological developments, the IA has established the Future Task Force of the Insurance Industry (FTF) to leverage on the expertise and experience of a wide spectrum of stakeholders, ranging from insurance talents to scholars. In 2022, the FTF discussed important Fintech topics such as "Federated Learning" technology, Open API, and cybersecurity.

The Coordination Group on Implementation of Fintech Initiatives chaired by the Secretary for Financial Services and the Treasury will stocktake the relevant work and deliberations of the FTF to facilitate cross-sectoral collaborations, with a view to furthering development of fintech in Hong Kong.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)010

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0393)

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 Programme (1) that the Bureau will promote the development of the insurance industry, including preparing legislation for the implementation of a risk-based capital regime to align our regulatory regime with international standards and conducting public consultation on the specific proposals for a policy holders' protection scheme this year. In this connection, would the Government inform this Committee of:

a. the specific progress regarding the preparation of legislation for the implementation of a risk-based capital regime and the expected timetable for completion and submission to the Council for deliberation;

b. the current progress regarding the communication with the sector on the policy holders' protection scheme and the general attitude of the sector?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 9)

Reply:

The Government is dedicated to strengthening Hong Kong's position as a global risk management centre. We continuously review and refine our regulatory regime, with a view to maintaining market stability, protecting the interest of policy holders and promoting industry development.

With reference to prevailing international regulatory standards, we are preparing to implement a practicable Risk-based Capital (RBC) regime, imposing on insurers capital requirements that will be more sensitive to their asset and liability matching, risk profile and mix of products, thereby further enhancing the financial stability of Hong Kong insurance companies. Since consulting the Panel on Financial Affairs of the Legislative Council (LegCo) on relevant legislative proposals in May 2022, we are taking forward legislation drafting work at full steam to address legislative amendments to the Insurance Ordinance (Cap. 41) and other relevant legislation, with a view to introducing the bill into LegCo in the first half of 2023. Subject to passage of the bill by LegCo, the Insurance Authority will formulate implementation details and relevant subsidiary legislation. Our target is to implement the RBC regime in 2024.

As for the Policy Holders' Protection Scheme (PPS), we conducted a three-month public consultation on the proposed establishment of the PPS from 30 December 2022 to 31 March 2023. We also conducted an engagement session with the Hong Kong Federation of Insurers in February 2023 and took note of the industry's views on specific details such as the proposed coverage, funding mechanism, etc. We will consider the views received when finalising the proposal, with a view to providing an additional safety net for policy holders, thereby strengthening market stability and enhancing public confidence in the insurance industry.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)011

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0394)

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 102 of the Budget Speech that the Government implemented in recent years a dedicated regulatory regime for insurance-linked securities (ILS) and launched the Pilot ILS Grant Scheme to promote diversified development of the insurance market, and that the Financial Secretary proposes a two-year extension of the Pilot Scheme to continue supporting the relevant sectors and assisting our country in expansion of channels for risk diversification and management. In this regard, will the Government inform this Committee of the effectiveness of the Pilot Scheme, the numbers of applications received, the numbers of applications approved and the amounts of grants made over the past 2 years? Following the extension of the Scheme, what measures will be taken by the Bureau to further promote the Scheme?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 10)

Reply:

To promote the diversified development of Hong Kong as a global risk management centre, we implemented in 2021 a dedicated regulatory regime for insurance-linked securities (ILS) and announced in the 2021-22 Budget the launch of a two-year Pilot ILS Grant Scheme (Grant Scheme).

The Grant Scheme provides subsidies to enterprises or organisations issuing the ILS in Hong Kong to cover parts of their upfront costs (such as fees provided to legal advisors, risk modellers, auditors, etc.), subject to a cap of $12 million per issuance. Since the launch of the Grant Scheme, the Insurance Authority has granted one sum of $12 million. We expect to receive another grant application later this year, and that other applications will be received following more ILS issuances.

With the complementary ILS regulatory regime and Grant Scheme, we have thus far facilitated issuance of four catastrophe bonds in Hong Kong with total amount reaching $4.4 billion, providing protection for losses inflicted by typhoons and earthquakes in the Mainland and overseas areas. It has been announced in the 2023-24 Budget that the ILS Grant Scheme will be extended for 2 years. We will continue to promote these measures, with a view to attracting more issuing institutions and professional talent, and assisting our country in expansion of channels for risk diversification and management.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)012

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0395)

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 proposes in paragraph 179 of the Budget Speech to increase the tax deduction for the Mandatory Provident Fund (MPF) voluntary contributions made by employers for their employees aged 65 or above, from the current 100% to 200% in respect of such expenditure. This will encourage employers to continue to hire mature employees, while helping the silver-haired increase their retirement savings. In this connection, would the Government inform this Committee of the number of employees aged 65 or above for whom employers are making voluntary MPF contributions, the amount of contributions involved and the amount of tax deducted, as well as the specific results expected to be achieved following the increase in tax deduction?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 11)

Reply:

According to figures provided by Mandatory Provident Fund (MPF) trustees to the Mandatory Provident Fund Schemes Authority, it is estimated that there were about 21 400 employees aged 65 or above for whom voluntary MPF contributions were made by their employers within 2022. The relevant voluntary MPF contributions amounted to about $353 million.

The Inland Revenue Department currently does not require employers to report the age of employees and therefore cannot provide statistics concerning the amount of tax deductions enjoyed by employers for making voluntary MPF contributions for employees aged 65 or above.

Overall speaking, the Government expects that the subject tax initiative would help provide more incentive for employers to make voluntary MPF contributions for their employees aged 65 or above, thereby encouraging more employees to consider staying in the labour force after reaching 65 and increasing their retirement savings, with a view to strengthening the retirement protection function of the MPF System.

- End -

<u>Examination of Estimates of Expenditure 2023-24</u>

Reply Serial No.

FSTB(FS)013

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0407)

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 2022, the Insurance Authority (IA) issued 14 press releases through its website to urge the public to stay alert against fake media (including website platforms, social media, online videos, emails and phone calls) impersonating insurance companies or even the IA to defraud people of their money or personal information. It is estimated that the actual situation could be far worse than what we know. The fraudsters' tricks are so crafty and seemingly genuine that members of the public may easily fall prey to their scams. Will the Bureau consider setting up a task force to collaborate with the Security Bureau and the Police to step up enforcement actions, examine ways to plug policy and legislative loopholes, as well as strengthen promotional and educational efforts, with a view to stamping out financial frauds (including those involving the insurance industry)?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 7)

Reply:

To strengthen Hong Kong's position as an international financial centre, the Government promotes innovation such as development of Fintech, while ensuring that financial regulators can effectively perform their functions, which include consistent surveillance of the industries' situation for the protection of customers and investors' interests. Regulators also maintain cooperation with the Hong Kong Police Force (Police) to combat different types of financial fraud.

The Insurance Authority (IA) has promulgated guidelines requiring the boards of directors of insurance companies to formulate sound risk management and internal control systems to prevent various kinds of fraud. The IA also maintains close collaboration with the industry to combat deceptive acts such as fraudulent websites, mobile applications, social platforms, etc. Apart from immediate reporting to the Police, the IA appeals to affected person to contact their insurance companies or insurance intermediaries, and seek help from the Police if necessary.

The IA and other financial regulators meet regularly on various platforms to discuss the development and regulation of the financial services industry, which include financial technology crimes and cybersecurity. They also share information and exchange views on industry best practices and appropriate regulatory model in response to the latest technology development and operational risks. Furthermore, the IA has promulgated guidelines on cybersecurity, requiring insurance companies to establish effective frameworks to prevent leakage of business data and customer information. It also encourages insurance companies to collect, analyze and exchange information through shared platforms, to strengthen their ability to prevent, detect and respond to technology incidents.

The IA maintains regular contact with the Commercial Crime Bureau of the Police to exchange information on suspected cases. For enhanced performance of regulatory and enforcement functions, the IA is planning to sign a memorandum of understanding with the Police. This will strengthen the cooperation and collaboration with the Police and help better protect policy holders against insurance fraud.

On publicity and education, the IA reminds the public through different channels, such as press releases, social platforms and the "Conduct In Focus", to stay vigilant against fraudulent activities and ways to identify fraudulent websites. The public could make use of the "Register of Authorized Insurers" and the "Register of Licensed Insurance Intermediaries" to verify the contact of relevant insurance companies or insurance intermediaries to protect themselves against fraud.

We will continue to work with the IA and the Investor and Financial Education Council to provide comprehensive and reliable information to the public through channels such as seminars, promotional leaflets and thematic websites.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)014

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3482)

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 proposed in the Budget that a mechanism be introduced to provide facilitation for companies, particularly enterprises with a business focus in the Asia-Pacific region, for re-domiciliation to Hong Kong. What is the preliminary idea of the mechanism? When the mechanism is expected to be introduced officially?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 14)

Reply:

We took the first step in 2021 to put in place a user-friendly fund re-domiciliation mechanism for Open-Ended Fund Companies and Limited Partnership Funds to facilitate foreign funds to establish and operate in Hong Kong. Upon re-domiciliation, the continuity of the fund, such as its legal entity, contracts made, property, rights, privileges, obligations, etc., can be preserved. As regards the proposed company re-domiciliation regime, we in principle would widen the application of the proposed mechanism as far as practicable, making the mechanism to be generally applicable to companies coming from different places and of different types. We will put in place appropriate administrative arrangements to ensure that companies applying to re-domicile to Hong Kong are of good standing, but we do not plan to impose restrictions on the originating jurisdiction or the industry type of the companies.

The proposed company re-domiciliation regime will not affect the companies' tax obligation to the originating jurisdiction. Companies having re-domiciled to Hong Kong will benefit from Hong Kong's simple and transparent low tax rate. We will put in place transitional arrangements to clearly stipulate the tax obligations of the incoming companies in the original place of incorporation and in Hong Kong to provide certainty to the companies on the prospective tax-related changes.

We started in March 2023 consulting major stakeholders, including business chambers, professional bodies and relevant statutory advisory bodies on the proposal of introducing a company re-domiciliation mechanism. Upon taking into account stakeholders' views we will start formulating the details of the legislative proposal with a view to presenting it in 2023-24. We will also consult the relevant Panel of the Legislative Council.

Hong Kong has an open and efficient company governance regime, simple taxation system, and world class professional services. Hong Kong's strategic location as well as commercial and trading networks with the Mainland and worldwide are also favourable to corporations' management of their operations in the Mainland and in the Asian region. Hong Kong is an attractive destination for non-Hong Kong corporations which are considering changing their place of incorporation to Asia. We believe there is demand among non-Hong Kong companies for re-domiciliation to Hong Kong.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)015

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2367)

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 96 of the Budget Speech that the Government introduced legislative amendments into the Legislative Council last December to provide profits tax exemption for qualifying transactions of family-owned investment holding vehicles managed by single family offices in Hong Kong. In this connection, would the Government inform this Committee:

1. whether plans and roadmaps have been formulated for the above initiative? If yes, what are the details? If no, what are the reasons?
2. whether additional resources and manpower have been allocated for the above initiative? If yes, what are the details? If no, what are the reasons?

Asked by: CHAN Man-ki, Maggie (LegCo internal reference no.: 8)

Reply:

The Government introduced the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (the Bill) into the Legislative Council (LegCo) in December 2022, which proposes to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices in Hong Kong. LegCo has set up a Bills Committee to scrutinize the Bill. Upon the Bill's passage, the tax exemption will be applicable to any years of assessment commencing on or after 1 April 2022.

The Financial Services Branch will utilise existing resources and manpower to handle the policy and legislative work on family offices. The Inland Revenue Department (IRD) will also utilise existing resources and manpower to handle the additional workload arising from implementing the Bill. If the additional workload cannot be absorbed from within existing resources, the IRD will examine its needs and seek additional resources in accordance with the established mechanism.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)016

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2368)

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 proposed in paragraph 97 of the Budget Speech, the Government will allocate $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong. The Financial Services and the Treasury Bureau has set up a steering group to oversee key projects including the "Wealth for Good in Hong Kong" Summit in end-March, as well as providing dedicated training for relevant wealth management talents. In this connection, would the Government inform this Committee of:

1. the details of the plan to attract overseas family offices, including the expenditure involved, types of programmes and staff establishment;
2. the comparison between the number of family offices set up in Hong Kong and other countries or regions;
3. the specific progress and outcome of every programme in the past 3 years; and
4. the expenditure and establishment involved regarding the dedicated family office team of InvestHK?

Asked by: Hon CHAN Man-ki, Maggie (LegCo internal reference no.: 9)

Reply:

The Government has been actively promoting the development of family office business in Hong Kong to help the industry seize new business opportunities. As announced in the 2022 Policy Address, the target is to facilitate no less than 200 family offices to set up operations or expand their business in Hong Kong by end-2025.

The Government introduced the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (the Bill) into the Legislative Council (LegCo) in December 2022, which seeks to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices (SFOs) in Hong Kong. Upon

LegCo's passage of the Bill, the tax exemption will be applicable to any years of assessment commencing on or after 1 April 2022. The SFOs generally do not need to apply for a licence to operate in Hong Kong; therefore, comprehensive statistics on family offices are not available at present. Upon implementation of the Bill, we will be able to gauge better information on their operation in Hong Kong.

In June 2021, with funding support of the Financial Services and the Treasury Bureau, Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) to provide one-stop support services to family offices and ultra-high-net-worth individuals interested in developing their foothold in Hong Kong. Since establishment, the dedicated team has received more than 160 enquiries on setting up family offices in Hong Kong, and successfully assisted 24 family offices to set up or expand their business here. The dedicated team also conducted over 110 investment promotion activities to promote the unique advantages of Hong Kong as a family office hub.

The 2023-24 Budget has stated that the Government will allocate $100 million to InvestHK over the next 3 years. With the return to normalcy, the dedicated team plans to roll out diversified and face-to-face interactive events (such as seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2023 to promote to target clients Hong Kong's competitiveness as a family office hub. The dedicated team has already established offices in Brussels and Beijing, and plans to deploy manpower in the Mainland, South East Asia and the Middle East to focus the promotion to target clients of Hong Kong's competitiveness as a family office hub. The dedicated team, in collaboration with its investment promotion units or its consultants based in the Economic and Trade Offices around the world, will also conduct roundtable forums with the theme of family offices in major cities.

As a key component of the Government's promotion strategy, the Wealth for Good in Hong Kong Summit held on 24 March 2023 is an international top-level exclusive event for global family offices and asset owners. It showcases Hong Kong's unique advantages as an international asset and wealth management centre, introduce opportunities for global family offices for wealth allocation, thereby fostering the long-term development of family office business. Through the Summit, the Government will establish direct connection with decision makers of global family offices and assist them in exploring opportunities and implementing development plans in Hong Kong.

The Financial Services Branch will handle the work involved with existing resources and manpower. The dedicated team of InvestHK comprises 8 investment support officers, including 4 investment promotion managers, 1 deputy global head and 3 overseas regional heads, with an estimated budget of $50 million for 2023-24.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)017

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2369)

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 59 of the Budget Speech that the Government successfully issued $800 million of tokenised green bond, the first of its kind issued by a government globally, in February 2023, which has accentuated Hong Kong's capacity in providing a flexible and favourable legal and regulatory environment for innovative forms of bond issuance, and that Hong Kong has made the largest ESG (i.e. environmental, social and governance) bond issuance in Asia. In this regard, will the Government inform this Committee:

1. whether there are further plans to issue government tokenised green bonds; and
2. whether the Bureau has plans to allocate additional resources and manpower to explore the issuance of more diversified ESG bonds in order to attract more overseas investors; if so, of the details; if not, of the reasons?

Asked by: Hon CHAN Man-ki, Maggie (LegCo internal reference no.: 10)

Reply:

(1)

We successfully issued $800 million of a 1-year tokenised green bond under the Government Green Bond Programme (GGBP) in February 2023. Bond tokenisation has the potential to enhance the efficiency and reduce the cost of bond issuance and settlement. It is still a nascent field for which trials will be required to test out various aspects of the whole process, including issuance, settlement, coupon payment, redemption, etc. Technical and non-technical issues will need to be addressed to realise the vision of a holistic adoption of the technology concerned in the bond market. The Hong Kong Monetary Authority plans to issue a report in the first half of 2023 to summarise the experience from this issuance and set out the next steps, including studying the feasibility of applying tokenisation technology in the government bond issuances in the future.

(2)

The GGBP, which has won considerable acclaim from international investors since its launch, has become a benchmark for issuance of green bonds in the region. We have successfully issued green bonds totalling close to US$16 billion equivalent under the GGBP so far, including the issuance of US$5.75 billion worth of green bonds in January 2023, which was the largest ESG bond issuance in Asia. As announced in the 2023-24 Budget, we will further expand the scope of the GGBP to cover sustainable finance projects. Sustainable bonds offer higher flexibility in terms of fund application and structure, etc. We are formulating the implementation details which will be announced in due course. Within the Financial Services Branch, the work involved will be absorbed by existing resources and manpower.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)018

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2370)

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 58 of the Budget Speech that promoting green economy for sustainable development is an important theme globally, and our country is advancing towards the "3060 Dual Carbon Targets", and that the whole industry cluster is growing rapidly, but the formation of a leading green technology and finance cluster has yet to be seen around the world. In this regard, will the Government inform this Committee whether it has plans to support local small and medium enterprises in nurturing green, financial, technology and ESG (i.e. environmental, social and governance) talents? If so, what are the specific work plans, implementation schedule and the staff establishment and estimated expenditure to be involved? If not, what are the reasons?

Asked by: Hon CHAN Man-ki, Maggie (LegCo internal reference no.: 11)

Reply:

In consultation with the Innovation, Technology and Industry Bureau, the Environment and Ecology Bureau, and the Labour and Welfare Bureau, our reply is as follows.

With the goals of our country and the Hong Kong Special Administrative Region in achieving carbon neutrality before 2060 and before 2050 respectively, green and sustainable development has attracted growing attention. As more green and sustainable finance (GSF)-related business opportunities are emerging in the financial services sector in Hong Kong and the region, the demand for relevant professionals is also on the rise. Seizing the opportunities, we have been committed to promoting GSF to address climate-related financial risks, and proactively expanding the talent pool in Hong Kong with a view to strengthening the industry's GSF competitiveness and reinforcing Hong Kong's status as a GSF finance hub in the region. Specific measures are as follows:

(1) Green Pilot Green and Sustainable Finance Capacity Building

(i) Launching subsidy scheme to support training

We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme) with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000. The Pilot Scheme has since its launch received many enquiries and positive feedback on the coverage of the programmes and qualifications. We will continue to closely monitor the implementation.

(ii) Data resources and internship scheme

In nurturing GSF talents, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group, formed by relevant Government Bureaux and financial regulators) launched in July 2021 the Centre for Green and Sustainable Finance (GSF Centre) to co-ordinate cross-sector efforts in capacity building and enhancing talent and data resources for the financial industry. In the first half of 2022, the GSF Centre launched a series of repositories to support the industry and students in locating data sources as well as useful learning resources and opportunities.

In October 2022, the Steering Group launched the Sustainable Finance Internship Initiative to create more sustainable finance internship opportunities in Hong Kong for students, facilitating them to gain relevant hands-on experience and supporting the development of the GSF talent pool in Hong Kong.

(iii) Developing relevant qualification frameworks

The Hong Kong Monetary Authority is developing a new GSF module under the Enhanced Competency Framework for Banking Practitioners, which can serve as a set of common competency standards for the banking industry to strengthen talent training. The Core Level of this new module is expected to be launched in the second quarter of 2023. We are also developing Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study has commenced in the first quarter of this year, and is expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners in consultation with the industry.

(2) Programmes Related to Environmental Protection in Tertiary Institutions

A number of local tertiary institutions have been offering undergraduate and postgraduate programmes related to environmental protection to meet the demand for environmental and green industry talents in Hong Kong. To help young people seize the career opportunities brought about by low-carbon transformation, the Environment and Ecology Bureau and the Environmental Protection Department (EPD) have been organising summer internship and mentorship programmes for years. The Graduates Subsidy Programme has also been launched to subsidise private companies and suitable organisations to employ fresh graduates to work in areas related to environmental protection. Moreover, the EPD collaborates with various professional societies and organisations to provide engineering graduates with internship and training opportunities in environmental engineering. Besides, professional training courses on environmental protection are offered through the GreenPro Training Programme. The relevant work is an integral part of the EPD's work and the manpower involved is absorbed by the existing establishment of the EPD. There is no itemised breakdown.

(3) Innovation and Technology (I&T) Talent Pool

The Government has been enlarging the I&T talent pool in Hong Kong through nurturing local talents with a series of initiatives. The measures and funding schemes are pitched at target groups at different life stages, ranging from nurturing citizens' interest in I&T since young as well as encouraging and assisting university students to pursue a career in I&T to pooling local and overseas I&T talents. Among which, the Reindustrialisation and Technology Training Programme aims to subsidise local enterprises on a matching basis to train their staff in advanced technologies. Subsidised enterprises are from different industries, many of which are small and medium enterprises. Many subsidised programmes are related to environmental protection and sustainable development.

(4) Green Technology and Finance Development Committee

The Financial Secretary announced in the 2023-24 Budget that he will set up a Green Technology and Finance Development Committee, inviting industry representatives from green technology, green finance and green standard certification, etc., to assist in the formulation of an action agenda for promoting the development of Hong Kong into an international green technology and finance centre. Details will be announced in due course.

The Government regularly updates the Manpower Projection and assesses the broad trends of future manpower supply and requirements in different key local economic sectors at the macro level. Through the above measures, the Government has been supporting local enterprises in training green technology and finance talents, and will continue to monitor the demand of small and medium enterprises for relevant talents.

Policy coordination work concerned undertaken by the Financial Services Branch will be absorbed by existing manpower and resources. There is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)019

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0375)

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 136 of the Budget Speech that the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector will be extended for 3 years to nurture more talents for the industry and enhance the professional competency of practitioners. Regarding the Pilot Programme to Enhance Talent Training for the Insurance Sector (the Pilot Programme), will the Government inform this Committee of:

1. in table form, the numbers of participants and the expenditures involved in the initiatives under the Pilot Programme (including the Public Education Programme, the Work-and-Learn Programme, the Summer Internship Programme and the Financial Incentive Scheme for Professional Training) for the past 5 years;
2. the latest progress of the Pilot Programme; and whether the Government will conduct periodical reviews or put forward enhancement proposals in respect of various initiatives under the Programme before the commencement of a new round of the Programme; if yes, the details and the timetables; if no, the reasons; and
3. whether the Pilot Programme will be regularised; and what enhancement measures will be put in place in the future for nurturing and attracting more insurance talents so as to ensure the proper use of the funding under the Programme?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 15)

Reply:

The Government launched in August 2016 the "Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector" (Pilot Programme) to provide subsidy for tertiary student internships and professional training for practitioners, and promote employment opportunities and career prospects of the industries through different channels.

The number of participants and relevant expense for each of the insurance sector initiatives, up to the year of 2022-23, are as follows –

	Number of participants	Relevant expense (HK$ million)
Financial Incentive Scheme for Professional Training	15 020 insurance practitioners have taken part in subsidised training courses	14.2
Internship Programme for Tertiary Students	450 students have completed internship placements	5.4
Work-and-Learn Programme	15 participants have completed training; recruitment for this initiative ceased in 2019.	1.1
Public Education Programme	Promotion was carried out via a thematic website, media interviews, MTR and tram advertisements, social media posts, video clips, school-based talks, workshops, competitions, etc. For instance, activities targeting students, parents and teachers had a total of about 3 120 participants; website traffic accumulated about 640 000 visitors.	25.2

We have reviewed the effectiveness and operation of each initiative of the Pilot Programme, and taken into consideration the feedback from participants and suggestions from the sectors. As announced by the Financial Secretary in the 2023-24 Budget, the Pilot Programme will be extended for 3 years to nurture more talents for the sectors and enhance professional competency of practitioners. In the coming 3 years, we will focus on supporting student internships and professional training for practitioners, and implement enhancements, including extending the duration and eligibility of internships, and increasing the quota for student internships and training for practitioners. We will continue to consider the views of the participants and sectors, and review the Pilot Programme as appropriate, in light of the ever evolving industry landscape.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)020

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0376)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

In May 2021, the Government launched a two-year Pilot Insurance-linked Securities (ILS) Grant Scheme to attract insurance companies and organisations to issue ILS in Hong Kong. In paragraph 102 of the Budget Speech, it was proposed that the Scheme be extended for 2 years so as to continue attracting more issuing institutions and nurturing talent. In this connection, will the Government inform this Committee of the following:

1. please set out in table form the name of the companies that have been offered grants for the ILS issuance since the launch of the Scheme, the respective issuance sizes and the amount of grants involved;

2. whether the Scheme has achieved the expected results; whether the Government has reviewed the problems encountered during the implementation of the Scheme; whether further enhancements will be made to the new round of the Scheme; if yes, the details, and if no, the reasons; and

3. whether the Government will set key performance indicators for the new round of the Scheme and explore measures to encourage other insurance companies to issue more catastrophe bonds in Hong Kong.

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 16)

Reply:

To promote the diversified development of Hong Kong as a global risk management centre, we implemented in 2021 a dedicated regulatory regime for insurance-linked securities (ILS) and announced in the 2021-22 Budget the launch of a two-year Pilot ILS Grant Scheme (Grant Scheme).

The Grant Scheme provides subsidies to enterprises or organisations issuing the ILS in Hong Kong to cover parts of their upfront costs (such as fees provided to legal advisors, risk modellers, auditors, etc.), subject to a cap of $12 million per issuance. Since the launch of the Grant Scheme, the Insurance Authority has granted one sum of $12 million for the issuance of a catastrophe bond issued by Peak Reinsurance Company Limited via Black Kite Re Limited, amounting to HK$1.18 billion and covering industry losses inflicted by typhoons in Japan. We expect to receive another grant application later this year, and that other applications will be received following more ILS issuances.

With the complementary ILS regulatory regime and Grant Scheme, we have thus far facilitated issuance of 4 catastrophe bonds in Hong Kong with total amount reaching HK$ 4.4 billion, providing protection for losses inflicted by typhoons and earthquakes in the Mainland and overseas areas. It has been announced in the 2023-24 Budget that the Grant Scheme will be extended for 2 years, with a view to attracting more issuing institutions and professional talent, and assisting our country in expansion of channels for risk diversification and management.

We will continue to make good use of the above measures to support development of the ILS market in Hong Kong. Our performance target is to, during the three-year period since the launch of the regulatory regime, offer facilitation through the Grant Scheme to potential issuers or sponsors of the ILS with a potential aggregate issuance size of HK$2.5 billion.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)021

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0377)

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 has implemented tax deduction arrangements for qualifying annuity premiums and Mandatory Provident Fund (MPF) voluntary contributions since 2019. In this connection, would the Government inform this Committee of:

1. in table form, the numbers of persons benefited from tax deduction and the amounts of tax deducted under the tax deduction arrangements mentioned above in each of the years since 2019;
2. in table form, the numbers of annuity policies and MPF voluntary contribution accounts and the amounts involved in each of the years since 2019;
3. whether the Government has evaluated if the tax deduction arrangements have achieved the expected results; and
4. whether the Government will review and enhance the tax deduction arrangements, including the proposal to increase the respective maximum deductible limits.

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 17)

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 annuity policies and contributions made to MPF tax-deductible 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 to 2021-22, as at early March 2023, deduction of around $34.6 billion was allowed to around 760 000 counts of taxpayers under this tax deduction arrangement. A breakdown of the figures by year is provided below:

Year	Number of taxpayers	Amount of deduction (HK$ million)
2019-20	211 000	9,170
2020-21	260 000	12,019
2021-22	288 000	13,408

For the years of assessment 2019-20 to 2021-22, over 220 000 qualifying deferred annuity policies were sold, involving around $16.0 billion. During the same period, the number of accounts with MPF tax-deductible voluntary contributions increased to 62 000, involving contributions amounted to $6.4 billion. A breakdown of the figures by year is provided below:

Year	Qualifying deferred annuity policies		MPF tax-deductible voluntary contributions	
	Number of new policies	Annualised premiums of new policies (HK$ million)	Number of accounts as at the end of period	Contributions in the year (HK$ million)
2019-20	133 000	9,536	38 000	1,706
2020-21	53 000	3,742	53 000	2,214
2021-22	36 000	2,640	62 000	2,507

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.

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 early March 2023, of the taxpayers who were allowed tax deduction, around 47% were allowed a tax deduction of less than $60,000, suggesting that there is still 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.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)022

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0378)

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:

Insurtech opens up more possibilities for the restructuring and upgrading of the insurance sector in Hong Kong. The Insurance Authority launched 2 pilot initiatives, namely the Insurtech Sandbox and Fast Track, in September 2017 to step up efforts in promoting the development of Insurtech. In this regard, will the Government inform this Committee of:

1. the manpower and expenditure involved in promoting the development of Insurtech in the past 5 years;
2. the specific progress of the 2 pilot initiatives since inception and the expenditure involved;
3. whether the Government has conducted a review to enhance the 2 pilot initiatives; if yes, the details; if no, the reasons;
4. whether the Government has earmarked additional dedicated funds in the 2023-24 financial year to promote the development of Insurtech?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 18)

Reply:

The Insurance Authority (IA) set up the Insurtech Facilitation Team in 2017 to maintain close collaboration with the industry, Government and other financial regulators, and support companies interested in developing Insurtech business. The related manpower and expenses of the Insurtech Facilitation Team are absorbed by the IA's internal resources.

The IA launched 2 pilot schemes, namely the Insurtech Sandbox and the Fast Track, in September 2017 to encourage innovation in the industry. As of February 2023, the IA had approved 36 sandbox applications, with all projects completed trial and launched in the market, amongst which 24 were related to virtual onboarding of customers. The IA has also authorised 4 virtual insurers to carry on insurance business through the Fast Track.

The IA has kept the 2 pilot schemes under constant review. In 2022, the IA extended the Insurtech Sandbox to licensed insurance broker companies carrying on regulated activities in long term insurance business, facilitating them to conduct virtual onboarding. In addition, the IA has set up a fast track in 2022 to expedite the processing of applications from insurers without virtual onboarding Sandbox wishing to sell life insurance products via video conference.

The IA aims to launch the Open API Framework for the insurance sector this year to promote data sharing and bring brand-new financial services and user experience to customers.

The IA will maintain active communication with the industry, and hold regular meetings with virtual insurers and the Future Task Force (FTF) of the Insurance Industry, with a view to promoting fintech development in the industry.

The Coordination Group on Implementation of Fintech Initiatives chaired by the Secretary for Financial Services and the Treasury will stocktake the relevant work and deliberations of the FTF to facilitate cross-sectoral collaborations, with a view to furthering development of fintech in Hong Kong.

- End -

Examination of Estimates of Expenditure 2023-24 | Reply Serial No.

FSTB(FS)023

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0379)

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 179 of the Budget Speech that the tax deduction for the Mandatory Provident Fund (MPF) voluntary contributions made by employers for their employees aged 65 or above will be increased from 100% to 200% to encourage employers to hire mature employees. In this connection, would the Government inform this Committee of the following?

1. Please provide the following details in the table below:

Age group	Total population	Working population	No. of people making mandatory MPF contributions and total amount of contributions made by employers	No. of people making voluntary MPF contributions and total amount of contributions made by employers
55-59				
60-64				
65-69			/	
70 or above			/	

2. Please tabulate the amount of tax forgone due to the tax deduction for MPF voluntary contributions made by employers for their employees aged 65 or above in each of the past 5 years.

3. Has the Government estimated the financial implications of this tax concession and the amount of tax forgone each year? If yes, what are the details, and if no, the reasons?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 19)

Reply:

Having consulted the Mandatory Provident Fund Schemes Authority, the Inland Revenue Department (IRD) and the Census and Statistics Department, reply to the three-part question is as follows.

(1) The total number of population, employed persons and other figures relating to Mandatory Provident Fund (MPF) contributions for those aged 55 or above in 2022 are as follows (rounded to the nearest hundred) -

Age	Population *(provisional figures as at end-2022)*	Employed persons *(Q4 2022)*	Total amount of mandatory MPF contributions made by employers *(Number of employees involved Note1)*	Total amount of voluntary MPF contributions made by employers *(Number of employees involved Note1)*
55-59	591 300	389 600	\$3,365 million (385 400)	\$1,257 million (37 900)
60-64	628 900	294 600	\$2,630 million (302 300)	\$634 million (22 200)
65-69	536 500	141 800	Not applicable Note2	\$235 million (14 900)
70 and above	1 030 200	60 400	Not applicable Note2	\$118 million (6 600)

Note1: Information provided by trustees for each individual scheme, showing aggregates of relevant figures of all schemes without making any adjustments to address the fact that the same member may maintain multiple accounts in different schemes in the year.
Note2: Employers are only required to make mandatory MPF contributions for employees aged between 18 and 64.

(2) The IRD currently does not require employers to report the age of their employees and therefore cannot provide the relevant statistics concerning the amount of tax deductions enjoyed by employers for making voluntary MPF contributions for employees aged 65 or above.

(3) Currently, employers may claim tax deductions for making MPF contributions for their employees, up to 15% of the total emoluments of the employees concerned. As there are no requirements for the employers to provide information on the number, age and emoluments of employees, as well as amount of mandatory/ voluntary MPF contributions made by the employers and respective percentage to the emoluments when assessing the employers' profits tax liabilities, we are unable to estimate the tax revenue forgone at this stage concerning the proposed increase in tax deduction for employers' voluntary MPF contributions for employees aged 65 or above.

In drawing up details of the proposed tax incentive, we will consider collecting detailed information on employers' MPF contributions for their employees, so as to ensure effective implementation of the initiative and facilitate analysis at different levels.

- End -

Examination of Estimates of Expenditure 2023-24 | Reply Serial No.

FSTB(FS)024

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2850)

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 the Government plans to issue no less than $50 billion of Silver Bond and $15 billion of retail green bonds in the next financial year, and earmark a certain proportion of the future issuances of Government green bonds and infrastructure bonds for priority investment by MPF funds. In this connection, would the Government inform this Committee of the following:

1. the estimated administrative costs and manpower involved in taking forward the above-mentioned bond issuances;

2. whether incentives or benefits would be provided to attract investment by MPF clients? If yes, what are the details? If no, what are the reasons?

3. whether a maximum number of cases would be set regarding "earmark a certain proportion for priority investment by MPF funds"? If yes, what are the details? If no, what are the reasons?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 46)

Reply:

(1)

Bond issuance expenses under the Government Bond Programme (GBP) and Government Green Bond Programme (GGBP) are paid from the Bond Fund and the Capital Works Reserve Fund respectively. For 2023-24, the estimated expenses (including interest) for issuance of bonds under the GBP and the GGBP are $8.238 billion and $4.493 billion respectively.

The Financial Secretary (FS) has stated in the 2023-24 Budget that Hong Kong should make good use of the room for bond issuance to support and expedite economic development while creating capacity and investing for the future, with a view to enabling early sharing of the fruits of economic development with the public. The FS has also stated that infrastructure is one of the key areas for sustained economic development and improvement of people's quality of life, and proposed the setting up of an Infrastructure Bond Scheme to better manage the cashflow needs of major infrastructure projects. The Government will formulate the implementation details. The plan is to introduce the relevant proposals to the Legislative Council in 2023-24.

Within the Financial Services Branch, the work involved will be absorbed by existing manpower and resources, and there is no itemised breakdown of expenditure.

(2) & (3)

The Government and the Mandatory Provident Fund Schemes Authority (MPFA) have been working together to enhance the operation of MPF schemes to safeguard the interests of scheme members. Following the introduction of the fee-controlled Default Investment Strategy in 2017, the Government has instructed the Hong Kong Monetary Authority (HKMA) and the Mandatory Provident Fund Schemes Authority (MPFA) to look into proposals to further address society's aspirations for MPF funds that could offer stable returns at low fees. As an initial step, the Government plans to earmark a certain proportion of the future issuances of Government institutional green bonds and infrastructure bonds for priority investment by MPF funds. The HKMA and the MPFA are making preparation for the implementation of these initiatives, and details are being worked out.

- End -

FSTB(FS)025

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3074)

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 2023-24 that the Bureau will promote the development of the insurance industry, including preparing legislation for the implementation of a risk-based capital regime and conducting public consultation on the detailed proposals for a policy holders' protection scheme. The above work has also been mentioned in the work plan for the previous year. In this regard, please advise this Committee on:

1. the staff establishment and expenditure involved in facilitating the implementation of the risk-based capital regime and policy holders' protection scheme in Hong Kong;
2. the current and specific progress of the risk-based capital regime and policy holders' protection scheme, as well as whether the desired objectives have been met; and
3. the estimated provision to be set aside for facilitating the implementation of the risk-based capital regime and policy holders' protection scheme in 2023-24.

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 42)

Reply:

The Government is dedicated to strengthening Hong Kong's position as a global risk management centre. We continuously review and refine our regulatory regime, with a view to maintaining market stability, protecting the interest of policy holders and promoting industry development.

With reference to prevailing international regulatory standards, we are preparing to implement a practicable Risk-based Capital (RBC) regime, imposing on insurers capital requirements that will be more sensitive to their asset and liability matching, risk profile and mix of products, thereby further enhancing the financial stability of Hong Kong insurance companies. Since consulting the Panel on Financial Affairs of the Legislative Council

(LegCo) on relevant legislative proposals in May 2022, we are taking forward legislation drafting work at full steam to address legislative amendments to the Insurance Ordinance (Cap. 41) and other relevant legislation, with a view to introducing the bill into LegCo in the first half of 2023. Subject to passage of the bill by LegCo, the Insurance Authority will formulate implementation details and relevant subsidiary legislation. Our target is to roll out the RBC regime in 2024.

As for the Policy Holders' Protection Scheme (PPS), we conducted a three-month public consultation on the proposed establishment of the PPS from 30 December 2022 to 31 March 2023. We also conducted an engagement session with the Hong Kong Federation of Insurers in February 2023 and took note of the industry's views on specific details such as the proposed coverage, funding mechanism, etc. We will consider the views received when finalising the proposal, with a view to providing an additional safety net for policy holders, thereby strengthening market stability and enhancing public confidence in the insurance industry.

The expenses related to the RBC regime and the PPS will be absorbed within existing resources and we do not have a separate breakdown.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)026

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3075)

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:

In Matters Requiring Special Attention in 2023-24, the Financial Services Development Council (FSDC) mentioned that it will promote Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaigns. In this regard, please advise this Committee on:

1. the FSDC's programmes that were related to the promotion of Hong Kong insurance industry in the past 3 years, as well as the financial resources and the manpower involved;
2. the FSDC's work to promote mutual access between the local insurance industry and the Mainland in the past 3 years;
3. the current progress of establishing after-sales service centres and implementing cross-boundary Insurance Connect;
4. whether the FSDC has set aside dedicated funding from its financial provision of $31.7 million in 2023-24 to facilitate the establishment of after-sales service centres and implementation of cross-boundary Insurance Connect.

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 43)

Reply:

Response to the respective parts of the question is as follows.

(1) & (2)

As a high-level, cross-sectoral advisory body to the Government, the Financial Services Development Council (FSDC) has been devoting attention to and supporting the development of the insurance industry, and actively promoting its importance to Hong Kong's financial development, in exercising FSDC's key functions in policy research, market promotion and human capital development.

(i) Policy research:

With a view to promoting mutual access with the Mainland, FSDC published a report on "Hong Kong's Unique Role in Enhancing Financial Connectivity in the Greater Bay Area (GBA)" in June 2020, and recommended further actions to facilitate the industry in developing cross-boundary insurance business, including action plans to establish insurance service centres and 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. In 2021-22, the insurance industry was covered in 4 of FSDC's 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".

In 2022-23, FSDC covered the insurance industry in a number of its research reports and publications, among which in the research report "Connecting Data: Establishing Hong Kong as a Cross-Boundary Financial Data Hub" published in December 2022, the insurance industry was referenced to illustrate the importance of data connectivity for the further integration of the financial services industry within the GBA. In addition, in the report titled "Road to Carbon Neutrality: Hong Kong's Role in Capturing the Rise of Carbon Market Opportunities" published in February 2023, FSDC mentioned that the insurance sector could play a pivotal role in the development of voluntary carbon market in Hong Kong and bolster Hong Kong's stature as a leading green finance hub in Asia.

(ii) Market promotion:

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 FSDC's participation in the Asian Insurance Forum, an annual flagship event of the Insurance Authority (IA), to steer discussion on various topical issues such as "Sustainable Future through Financial Connectivity in the GBA" and "Positioning of Hong Kong in the Dual Circulation Economic Strategy". In addition, FSDC has highlighted the importance of the insurance industry in speeches and media interviews.

(iii) Human capital development

To introduce the financial services industry to more youngsters in Hong Kong, FSDC's "Talent Amplifier Programme (TAP)" and Fireside Chat invited university students and young industry professionals to participate, and invited experts from the insurance industry to share on their career journeys and the industry profile with a view to enhancing participants' understanding about the insurance industry.

FSDC also launched the Financial Industry Recruitment Scheme for Tomorrow (FIRST) and Financial Industry Recruitment Scheme for Young Graduates (YOUTH) in 2020 and 2021 respectively, aiming to create jobs and retain talents for eligible financial services fields (including the insurance industry).

FSDC currently has 19 staff and an annual budget of about $31.7 million. FSDC does not have breakdown on the resources deployed for the insurance industry since its work covers a wide range of financial services fields.

(3) & (4)

The IA and Mainland regulators have reached in-principle consensus on the implementation proposal for establishing insurance after-sales service centres, and are deliberating specific details such as unified standards and requirements. We are also coordinating with the Hong Kong Federation of Insurers in parallel to set out execution plans on the operation of the service centre. We will continue to work towards early roll-out of the measure which will be an important step towards mutual access of insurance markets in the GBA.

We believe that the experience gained from implementing the after-sales service centre initiative, as well as administering the Cross-boundary Wealth Management Connect will provide useful reference for exploring cross-boundary sale of Hong Kong insurance products. We will work with the IA to explore feasible ways of enhance connectivity between insurance markets in the Mainland and Hong Kong, and maintain close communication with the insurance industry in the process.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)027

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2215)

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 2023-24 Budget that the tax deduction will be increased for the Mandatory Provident Fund (MPF) voluntary contributions made by employers for their employees aged 65 or above, from the current 100 per cent to 200 per cent in respect of such expenditure. In this connection, will the Government inform this Committee of:

(1) the number of employees aged 65 or above holding MPF accounts; and

(2) in respect of the voluntary contributions made by employers for their employees aged 65 or above, (i) the number of employees involved and the percentage; (ii) the average amount of monthly contributions; and (iii) the average percentage of voluntary contributions in the employees' emoluments; and

(3) whether it has estimated the amount of reduction in tax revenue after implementing the proposed measures; if yes, the details, and if no, the reasons.

Asked by: Hon CHAU Siu-chung (LegCo internal reference no.: 30)

Reply:

Our reply to the three-part question is as follows –

(1) According to information provided by the Mandatory Provident Fund Schemes Authority (MPFA), as at end-December 2022, there were about 138 400 employees aged 65 or above holding a Mandatory Provident Fund (MPF) account. The figure includes employee MPF contribution accounts which had ceased receiving contributions held by those who had retired.

(2) According to figures provided by MPF trustees to the MPFA, it is estimated that there were about 21 400 employees aged 65 or above who received voluntary MPF contributions from their employers within 2022. The relevant voluntary MPF

contributions amounted to about $353 million, with an average monthly contribution of about $1,400 per head. Since the MPFA does not have information on the emoluments of the employees concerned, we are unable to provide the percentage of relevant contributions to the employees' emoluments.

(3) Currently, employers may claim tax deductions for making MPF contributions for their employees, up to 15% of the total emoluments of the employees concerned. As there are no requirements for the employers to provide information on the number, age and emoluments of employees, as well as amount of mandatory/voluntary MPF contributions made by the employers and respective percentage to the emoluments when assessing the employers' profits tax liabilities, we are unable to estimate the tax revenue forgone at this stage concerning the proposed increase in tax deduction for employers' voluntary MPF contributions for employees aged 65 or above.

In drawing up details of the proposed tax incentive, we will consider collecting detailed information on employers' MPF contributions for their employees, so as to ensure effective implementation of the initiative and facilitate analysis at different levels.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)028

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2216)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the 100% Personal Loan Guarantee Scheme (PLGS), please inform this Committee of:

(1) the numbers of applications received, approved, rejected and being processed by the participating lenders since the introduction of the scheme; the total amount of loans granted and the average loan amount per applicant up till now;

(2) the occupation categories of successful loan applicants and the respective percentage shares; and

(3) whether the Government will further extend the application deadline for the PLGS or even consider regularising the scheme; if yes, the details, and if no, the reasons.

Asked by: Hon CHAU Siu-chung (LegCo internal reference no.: 31)

Reply:

(1)

The 100% Personal Loan Guarantee Scheme (PLGS) began accepting applications in April 2021, with the HKMC Insurance Limited (HKMCI) as the scheme administrator and 14 participating banks responsible for vetting loan applications.

As of end-January 2023, the participating banks received more than 114 000 applications, around 62 000 (about 54%) of which had been submitted by the banks to and approved by the HKMCI, involving a total loan amount of $4.25 billion and an average loan size of around $78,000 per borrower. About 6% of the applications were rejected, mainly due to non-compliance with the PLGS eligibility criteria (e.g. failure to provide proofs of past employment and proofs of cessation of main recurrent incomes). About 5% of the applications are under processing. Meanwhile, about 35% of the applications could not be processed as they involved duplicated applications, withdrawal by the applicants, lack of necessary documents to support the applicants' eligibility, loss of contact with the applicants, etc.

(2)

As of end-January 2023, the successful loan applicants mainly came from the transportation and logistics, retail, and catering industries, with each accounting for about 10%.

(3)

In view of the impact of the pandemic on various sectors and the labour market, the Financial Secretary announced in the 2022-23 Budget to extend the PLGS loan application period for unemployed individuals by 1 year, with the original deadline in end-April 2022 extended to end-April 2023. As the local economy is recovering and the unemployment rate is decreasing, the Government will not further extend the application period. As for the loans provided for individual landlords affected by the rental enforcement moratorium, the application period already ended in end-October 2022.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)029

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1898)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

As stated in the Budget this year: "On wealth management, regulators will on a risk-based principle and subject to appropriate protection for investors, streamline the suitability assessment and disclosure process for sophisticated or ultra-high net worth individual clients. Moreover, the Government will review the existing tax concession measures applicable to funds and carried interest." Would the Government advise this Committee on the following:

1. Whether the Government will conduct a market consultation on streamlining the suitability assessment and disclosure process for sophisticated or ultra-high net worth individual clients? If yes, what is the specific timetable?

2. What is the specific direction of the streamlining initiative? Whether relaxing the definition of ultra-high net worth individual clients will be one of the objectives?

3. What are the details regarding the review on the existing tax concession measures applicable to funds and carried interest? Will it cover the issues where limited partnership funds with a single investor may not be entitled to tax exemption currently and there are too restrictions in the existing deeming provisions?

4. What are the anticipated positive impacts of the two proposed initiatives on the future development of private equity funds, family offices, private banks and the asset management industry in Hong Kong?

5. What is the estimated manpower to be involved in the review concerned?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 7)

Reply:

A consolidated reply to the various parts of the question is as follows:

(1) & (2)

The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission and the relevant Frequently Asked Questions require intermediaries to ensure the suitability of recommendations or solicitations to clients through procedures such as suitability assessment and risk disclosure. This suitability requirement applies to both individual and corporate professional investors (PIs), while corporate PIs satisfying the criteria on corporate structure, investment process and controls, and professional investment management may be exempted. As announced in the 2023-24 Budget, regulators will streamline the suitability assessment and disclosure process for intermediaries dealing with sophisticated or ultra-high net worth individual clients who display greater loss-absorption ability above the statutory threshold for PIs. This will facilitate intermediaries to adopt a more risk-based assessment while ensuring investor protection in the first place. Regulators are liaising with industry associations to collate their feedback on the proposed measures.

(3), (4) & (5)

As announced in the 2023-24 Budget, we will review the existing tax concession measures applicable to funds and carried interest and have been maintaining communication with the industry to listen to their views. We will examine the industry’s feedback in detail for considering how to facilitate the industry to benefit from the tax concession.

We will continue to enhance the competitiveness of the asset and wealth management industry through various measures, including diversifying fund structures, expanding the fund distribution network, promoting the real estate investment trust market, providing subsidies, and fostering the development of family office business.

We will communicate the results of the various reviews mentioned above in due course. The Financial Services Branch will handle the work involved with existing resources and manpower.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)030

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1899)

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 proposed in the Budget Speech that a new Capital Investment Entrant Scheme will be introduced with a view to further enriching the talent pool and attracting more new capital to Hong Kong. In this regard, will the Government inform this Committee of:

i. the current progress of the proposed scheme and the expected implementation timetable;
ii. the investment threshold of the scheme and the criteria adopted in setting the threshold; and
iii. whether the industry will be consulted on the detailed clauses prior to legislation.

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

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)031

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1900)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(-) Not Specified
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Government has launched the 3-year Pilot Green and Sustainable Finance Capacity Building Support Scheme to encourage relevant practitioners of the green and sustainable finance sector to participate in training related to green and sustainable finance. In this connection, will the Government inform this Committee of:

i. the latest development and specific achievements of the pilot scheme;
ii. whether the 3-year pilot scheme has been affected by the epidemic and any training programmes have been suspended as a result; and
iii. whether the Government will further consider establishing an academy of green and sustainable finance if the pilot scheme achieves remarkable results in nurturing talent for the green and sustainable finance sector?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 9)

Reply:

We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme) with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000.

The Pilot Scheme has since its launch received many enquiries and positive feedback on the coverage of the programmes and qualifications. Currently, there are 24 eligible programmes and qualifications as provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc., covering a wide variety of programmes (e.g., relating to banking services, asset management, insurance) with different teaching modes (e.g., online learning) to cater for participants' needs. The list of programmes and qualifications will continue to be updated, and has not been affected by the epidemic.

The Pilot Scheme is still at its early implementation stage. Participants can only make subsidy applications after successfully completing the programmes or accomplishing the qualifications. We will closely monitor the implementation and continue to collect feedback from the industry, programme providers and participants, as well as the relevant statistics.

Talent nurturing is crucial to further promoting green and sustainable finance. We will continue to examine the measures on training relevant talents and listen to industry views in formulating suitable strategies.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)032

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1901)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services Branch (FSB) will accelerate the development of Hong Kong into an international centre for green technology and finance in 5 directions and promote the development of green and sustainable finance in Hong Kong. Please provide the following information:

i. The estimated expenditure of the FSB for the above purposes;
ii. The specific programmes and their details and estimated funding involved in table form.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 10)

Reply:

We have been promoting green and sustainable finance in Hong Kong through a multi-pronged strategy, including introduction of financial support schemes, to provide the infrastructure and impetus for market development. Details are as follows –

Subsidy schemes	Details	Total provision
Green and Sustainable Finance Grant Scheme (Grant Scheme)	We launched in May 2021 the three-year Grant Scheme to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. For each eligible application, the Grant Scheme will subsidise the bond issuance costs subject to a maximum subsidy of $2.5 million and the external review costs subject to a maximum subsidy of $800,000. As of end-March 2023, the Grant Scheme has granted close to $170 million to more than 220 green and	$255 million

Subsidy schemes	Details	Total provision
	sustainable debt instruments issued in Hong Kong, covering green bonds, sustainability bonds, green loans, sustainability-linked loans, etc., involving a total underlying debt issuance of over $560 billion.	
Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme)	We launched in December 2022 the three-year Pilot Support Scheme for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000.	$200 million

Policy coordination work concerned undertaken by the Financial Services Branch will be absorbed by existing resources and there is no itemised breakdown of expenditure.

- End -

Reply Serial No.

FSTB(FS)033

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1902)

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 advancement of financial co-operation with the Mainland in 2023-24, what are the specific work in respect of the high-quality development of a digital economy and the detailed expenditure of the relevant work? What are the expected economic benefits to be brought to Hong Kong?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 11)

Reply:

Digital economy is a global trend and our country has been at the forefront. 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" states the need of accelerating digitalisation and building a digital China. We attach great importance to Fintech development and has been adopting multi-pronged measures, including working closely with the Mainland authorities, to provide fast, convenient and innovative financial services to support the development of digital economy.

The Hong Kong Monetary Authority (HKMA) and the People's Bank of China (PBoC) have signed a Memorandum of Understanding to provide a one-stop platform for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech initiatives, speeding up the launch of Fintech products and reducing development costs. More than 20 financial institutions and technology companies in Hong Kong have expressed interest in testing their cross-boundary financial technology initiatives via the platform, covering cross-boundary account enquiry service, cross-boundary remittance automatic add value application, cross-boundary remote account opening services and services related to Cross-boundary Wealth Management Connect.

On e-CNY, the HKMA and the Digital Currency Institute of the PBoC have commenced the second phase of technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, involving the participation of more banks of Hong Kong in the testing and using the Faster Payment System to top up e-CNY wallets. The use of e-CNY will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in the 2 places. It will enhance the efficiency and user experience of cross-boundary payments, and help promote the interconnection between the 2 places.

The second phase of the Proof-of-Concept on the connection between the blockchain-based eTradeConnect and the Trade Finance Platform of the PBoC has been completed, covering the use cases of exports from Hong Kong and imports into the Mainland. The 2 places will continue enhancing cooperation, with a view to providing importers and exporters with more convenient trade finance services.

Relevant work will be absorbed by existing resources and manpower. We do not have an itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)034

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1912)

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 promotion of the development of green and sustainable finance in Hong Kong,

1. what are the manpower and financial resources to be involved in the Bureau's relevant work in the coming year?

2. what are the Government's specific work plans on green certification and alignment with international standards? Will the Government actively discuss and co-operate with Mainland cities of the Greater Bay Area (GBA) to consolidate and provide data on green finance and set up a relevant fundamental database, thereby enabling data exchange and data search within the GBA, and even formulating a unified standard on green finance that is accepted by Mainland and overseas funds?

3. it is mentioned in the Budget that the Government will continue to encourage more Mainland local governments at different levels as well as Mainland and overseas public and private institutions to issue offshore Renminbi bonds in Hong Kong. It is generally expected that the said bonds will include some green bonds and even blue bonds. What is the position of the relevant promotion work conducted by the Bureau? What are the resources to be involved?

4. what are the latest progress of and future plans on Hong Kong's co-operation with the emissions exchanges in the Mainland (including the GBA cities) and the ongoing study on the establishment of a voluntary carbon market in Hong Kong?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 22)

Reply:

We have been promoting green and sustainable finance in Hong Kong through a multi-pronged strategy for providing the infrastructure and impetus for market development. Our consolidated reply to the 4 parts of the question is as follows.

<u>Green finance standards</u>

Following the publication of the updated Common Ground Taxonomy report by the International Platform on Sustainable Finance in June 2022, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group, formed by relevant Government Bureaux and financial regulators), with the aim of aligning with the CGT, will explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, the Mainland's and the European Union's taxonomies. The Steering Group will formulate proposals on the structure and core elements of the framework for consultation.

In addition, the Steering Group will align the requirements on climate-related disclosures with Task Force on Climate-related Financial Disclosures' (TCFD) recommendations for mandatory implementation across relevant sectors no later than 2025. The Steering Group also supports the development of a global uniform set of sustainability reporting standard. In March 2022, the International Sustainability Standards Board (ISSB) published the exposure drafts on the general requirements for sustainability-related disclosure standard and climate-related disclosure standard, which are built on the TCFD recommendations. In light of this, the Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong Limited have formed a joint working group for developing a disclosure framework aligned with the ISSB standards for Hong Kong-listed issuers. The joint working group conducted soft consultations with over 50 listed issuers and professional bodies in April and May 2022, and will take into account their feedback when developing relevant proposals.

<u>Data resources</u>

The Steering Group has identified data as one of the priority areas. On this, the Centre for Green and Sustainable Finance (GSF Centre) under the Steering Group has established working groups to develop strategies and roadmaps for establishing data repositories and enhancing data analytical capability. In the first half of 2022, the GSF Centre launched the Green and Sustainable Finance Data Source Repository, which is publicly accessible, to support the financial sector in locating data sources for climate risk management, and other analysis and research related to green and sustainable finance. The GSF Centre will continue to expand the repository and include more data from the other places in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

<u>Offshore Renminbi (RMB) green bonds</u>

We have been maintaining close liaison with the Mainland to actively promote Hong Kong's bond platform. An example is the collaboration with the Development and Reform Commission of Guangdong Province to jointly organise a seminar in September 2022 on examining the expansion of the offshore RMB bond market and leveraging bond financing to support the development of the GBA, as well as exploring the future development direction of the offshore RMB bond market in Hong Kong. The seminar provided a good platform for around 100 representatives of government authorities, financial institutions, industry organisations, trade and relevant enterprises of the 2 places to share experiences of bond issuance in Hong Kong, and exchange views on the internationalisation of RMB and the development prospect of the GBA. In June 2022, the Hong Kong Monetary Authority and the Hong Kong Exchanges and Clearing Limited (HKEX) collaborated with the Guangzhou Branch of the People's Bank of China to launch the "Guide for Mainland corporates to issue green bonds in Hong Kong", which provides operational guidance to Mainland corporates seeking to issue green bonds in Hong Kong and further promotes Hong Kong's bond platform. We will continue to maintain close communication with relevant Mainland local governments and authorities, supporting and facilitating more Mainland local governments, corporates and financial institutions to issue bonds in Hong Kong.

Carbon market development

The Steering Group published in March 2022 a preliminary feasibility assessment for Hong Kong to pursue carbon market opportunities and recommends, among others, developing Hong Kong into a global, high-quality voluntary carbon market and enhancing cooperation on carbon market development in the GBA.

HKEX signed a Memorandum of Understanding with the Guangzhou-based China Emissions Exchange in March 2022 to explore cooperation opportunities in carbon finance, established the Hong Kong International Carbon Market Council in July 2022 (with members comprising corporates and financial institutions from the Mainland, Hong Kong and overseas), and subsequently launched a new international carbon marketplace Core Climate in October 2022, which is currently the only carbon marketplace that offers HKD and RMB settlement for the trading of international voluntary carbon credits.

We and HKEX will continue to work with stakeholders to explore climate-related opportunities and support the development of the carbon ecosystem, including expanding Hong Kong's products and services suite and enhancing the trading mechanism and infrastructure as well as exploring standards development, with a view to building Hong Kong into a leading carbon trading hub.

We will continue to leverage 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 to proactively integrate into the national development of our country and assist in the comprehensive green transformation of the GBA.

Policy coordination work concerned undertaken by the Financial Services Branch will be absorbed by existing manpower and resources, and there is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)035

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1915)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

1. In respect of the Financial Technology Internship Scheme for Post-secondary Students in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area, Pilot Green and Sustainable Finance Capacity Building Support Scheme, Pilot Scheme on Training Subsidies for Fintech Practitioners, and the extended Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector, please set out information on the implementation of respective schemes since their launch, including amounts of funds involved, the number of courses and activities planned and the number of beneficiaries.

2. What specific changes have there been in the supply and demand of talents in the financial industry of Hong Kong over the past 3 years? Please illustrate with the situations in areas including securities, funds, asset management, capital market, insurance and related professional services. Which sectors, such as traditional finance (e.g. maritime financing), green and sustainability, and Web 3.0, are currently facing obvious manpower shortage and in need of the Government's proactive efforts to attract talents from outside Hong Kong? Will consideration be given for talents needed for those sectors to be added to the Talent List in the short term?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 25)

Reply:

(1)

Fintech internship scheme for post-secondary students

Through collaboration with the industry and financial regulators, we have introduced a number of initiatives to nurture financial technology (Fintech) talents, including 2 rounds of

Financial Practitioners Fintech Training Programme launched in 2020 and 2022, as well as the development of the Fintech Qualification Framework, so as to promote the professional development of Fintech talents and expand the Fintech talent pool in Hong Kong. The Budget proposes to introduce a Fintech internship scheme for post-secondary students which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech.

We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The internship scheme will provide more than 150 internship in Hong Kong and the GBA. The Financial Services Branch will partner with Fintech enterprises of the 2 places as well as local and GBA institutions which offer programmes in Fintech-related disciplines to work out the implementation details. Specific internship placement arrangement will be announced in due course. We will also put in place evaluation mechanism with the relevant tertiary institutions to review the implementation and effectiveness of the scheme.

<u>The Pilot Scheme on Training Subsidy for Fintech Practitioners</u>

The first batch of Fintech professional qualifications recognised under the Qualifications Framework for banking practitioners was rolled out in September last year. Meanwhile, we allocated $38 million last year to launch the Pilot Scheme on Training Subsidy for Fintech Practitioners. Under the scheme, Fintech practitioners who have successfully attained Fintech professional qualifications will be eligible to claim reimbursement of up to 80% of the tuition fees, subject to a cap of $25,000. There are 1 500 quotas under the scheme, which aims at promoting the professional development of Fintech talents and expanding the Fintech talent pool in Hong Kong.

So far, around 230 Fintech practitioners from the banking sector have enrolled in the Fintech professional qualifications training courses. First batch of the training courses will complete in the first quarter of this year. The practitioners may be reimbursed with the tuition fees upon successful completion of the courses. We will collect feedback and comments from the industry, programme providers and participants to review the implementation and effectiveness of the scheme.

Furthermore, we are developing Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study commences in the first quarter of this year, and is expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners in consultation with the industry.

<u>Pilot Green and Sustainable Finance Capacity Building Support Scheme</u>

We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000.

The Pilot Scheme has since its launch received many enquiries and positive feedback on the coverage of the programmes and qualifications. Currently, there are 24 eligible programmes and qualifications as provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc., covering a wide variety of programmes (e.g., relating to banking services, asset management, insurance).

The Pilot Scheme is still at its early implementation stage. Participants can only make subsidy applications after successfully completing the programmes or accomplishing the qualifications. We will closely monitor the implementation and continue to collect feedback from the industry, programme providers and participants.

<u>Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector</u>

The Government launched in August 2016 the "Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector" to provide subsidy for tertiary student internships and professional training for practitioners, and promote the employment opportunities and career prospects of the industries through different channels. Since inception, for the insurance sector, the Pilot Programme has provided about 450 internship positions to tertiary students and over 15 000 participants have taken part in subsidies training courses. For the asset and wealth management sector, over 580 tertiary students have completed their internships, with about 3 800 applications for professional training course fee subsidy approved. As at end-February 2023, the actual expenditure of the Pilot Programme was about $90.62 million.

(2)

The number of licensed representatives regulated by the Securities and Futures Commission (SFC) has remained steady, slightly increasing from about 35 230 in end-2019 by 1.8% to 35 880 in end-2022. According to SFC's Asset and Wealth Management Activities Survey, the number of practitioners in the asset and wealth management sector increased from about 45 130 in 2019 by 9.4% per year to about 54 000 in 2021.

For the insurance sector, considering the industry's views on market demand for more experienced actuaries and risk management professionals to support various areas of operation such as underwriting, claims management, compliance and specialty risk management, the Government's Talent List has covered relevant industry segments (including marine insurance professionals and actuaries). Further to updates on relevant task and qualification description made in a review of the Talent List in 2021, we recently discussed with the industry how to better reflect demand for talents in specialty insurance business in the new round the updating exercise, with a view to attracting professionals that meet market development needs.

The number of Hong Kong certified public accountants has remained at similar level over the past 3 years. Members of the sector however relayed that quite some graduated accounting students have chosen not to join the accounting profession, resulting in recruitment difficulties encountered by accounting firms, especially small-and-medium practices. The Hong Kong Institute of Certified Public Accountants (HKICPA) is working hard to encourage local accountancy graduates to join the accounting profession, and at the same time promote the accounting profession to non-accountancy students and the public. Under the new regulatory regime of the accounting profession launched on 1 October 2022, the Accounting and Financial Reporting Council will also deliver its statutory function of promoting development of the accounting profession by looking into development issues faced by the profession, including talent supply, to jointly consider appropriate and targeted solutions.

The Government attaches great importance to nurturing local Fintech as well as green and sustainable finance related talents. The first Talent List announced in 2018 already covered Fintech professionals. We have also added "financial professionals in Environmental, Social and Governance (ESG)" to the Talent List since 2021 to provide immigration facilitation to incoming ESG talents submitting applications under the Quality Migrant Admission Scheme. We will maintain close liaison with the industry to ensure that the job descriptions and qualification requirements of Fintech and green finance professionals in the Talent List are up-to-date so as to meet the latest development needs of the industry.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)036

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1918)

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 89 of the Budget Speech that there will be improved financing for small and medium enterprises (SMEs) and start-ups, and that specific reform recommendations on GEM will be put forward within this year. In this connection, please inform this Committee of the following:

1. the specific reform recommendations of the Government and its timetable; and
2. the establishment involved in reforming GEM.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 29)

Reply:

The Hong Kong Exchanges and Clearing Limited (HKEX) has been monitoring market conditions, and is cognisant of the issues of GEM as well as the views on the financing needs of small and medium enterprises (SMEs) and start-ups conveyed by the Legislative Council and some market participants. To this end, HKEX has approached different stakeholders over the past year, and is carefully considering the market views received to take forward the review. The work concerned involves many aspects, such as identifying the source of potential issuers which are suitable to raise funds through stock market but could not meet the relevant listing requirements; assessing whether potential issuers could attract investors to hold and trade relevant securities continuously; improving the liquidity of existing stocks; considering relevant risk management measures, etc. Meanwhile, HKEX will also make reference to the experiences of similar markets in other places, including the development experiences of fundraising platforms for SMEs and innovative enterprises in the Mainland. The review is still ongoing. After conducting a detailed analysis of the pros and cons of relevant measures and considering related risks, HKEX will put forward specific reform proposals on GEM within 2023 for formal consultation.

The review of GEM involves amendments to relevant rules of HKEX. The work concerned will be taken forward by HKEX in consultation with the Securities and Futures Commission (SFC)[1]. The Financial Services and the Treasury Bureau's policy work will be conducted with existing resources and will not involve additional expenditure.

[1] According to sections 24, 41 and 67 of the Securities and Futures Ordinance, the making of, and changes to, the rules of HKEX and its exchanges as well as clearing houses require approval of the SFC.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)037

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1920)

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 will work with the Mandatory Provident Fund Schemes Authority and the eMPF Platform Company Limited to develop the eMPF Platform. It is mentioned that under Programme (1), the provision for 2023-24 is $388.7 million (33.8%) lower than the revised estimate for 2022-23, and that this is mainly due to the reduced cash flow requirement for non-recurrent commitment item for the eMPF Platform project. Please inform this Committee of the following:

1. With a reduction in the cash flow requirement for expenses, what is the specific estimated expenditure for the coming year?
2. The progress of the eMPF Platform has been delayed for 8 months due to the manpower issue of the system developer. In this connection, what are the details of the development proposal of the new project? Will the system developer be required to make any form of compensation/monetary compensation?
3. What impacts and changes will be brought about by the development proposal of the new project to the overall implementation timetable of the eMPF Platform project?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 31)

Reply:

Reply to the three-part question is as follows.

(1) The non-recurrent commitment earmarked by the Government for the eMPF Platform Project is mainly used to cover contractual payment in relation to the Platform's software and hardware development, operation of the data centers and system maintenance work (Project costs), the eMPF Platform Company Limited (the Company)'s initial operating expenditure (Company's expenditure), and other one-off expense items.

In addition, the Government's cash flow estimate in relation to the eMPF Platform Project in a financial year is mainly based on the Budget and Work Plan for the subsequent financial year proposed by the Mandatory Provident Fund Schemes Authority (MPFA) and the Company. The Government's provision in the estimates will be used to meet the forecast expenditure of the Project in the following year.

The Government has set aside about $234.31 million for the eMPF Platform Project in its estimate for the 2023-24 financial year, which is roughly $400 million less than the $631.87 million cash flow requirement in the revised estimate for 2022-23. This is mainly due to some one-off cash flow requirement for the eMPF Platform Project in 2022-23, including a cash advance of $195.5 million to assist the Company in meeting its company expenditure before it is able to fully recoup its operational cost through collecting fees from Mandatory Provident Fund (MPF) trustees who get onboard to the eMPF Platform; and a one-off financial assistance of $196.1 million to be disbursed to the 5 "early adopters" (i.e. MPF trustees who are willing to get onboard to the eMPF Platform at an early stage) when they complete onboarding.

Details of the estimates are as follows –

Expenditure items (Unit: $ million)	Government Financial Year	
	2022-23	2023-24
Project costs Note1	240.32	326.96
Company's expenditure	/ Note2	/ Note2
Financial assistance to "early adopters"	196.05	/
Cash advance	195.50	(92.65) Note3
Total	**631.87**	**234.31**

Note1: Inclusive of Government Cloud Infrastructure service fees.

Note2: From 2023-24, MPF trustees will get onboard to the eMPF Platform in phases and will pay Platform fee to the Company; from that year onwards, the Company will collect Platform fee from onboarded trustees to meet its company expenditure. Hence, starting from the 2022-23 financial year, the Government will no longer provide funding support on this area.

Note3: The Company is expected to repay the cash advance in 2 instalments.

The above-mentioned cash flow estimation is based on the Budget and Work Plan for the subsequent financial year proposed by the MPFA and the Company, and premised on the assumption that the eMPF Platform Project will be implemented in accordance with the timeline stipulated in the contract. In the event of Project slippage, the Government will reflect the impact of the delay on the cash flow of the Project in its 2023-24 revised estimate.

(2)&(3) Pursuant to the contract signed with the MPFA and the Company, the Contractor should complete system development by end-2022 and functional testing by the first quarter of 2023, thereby ensuring that the Platform is ready for phased onboarding of MPF schemes from the second quarter of 2023, and completing all onboarding work and achieving full implementation of the Platform in 2025.

According to the assessment by the Contractor, it is highly likely that completion of the system development of the eMPF Platform Project will be deferred to mid-2023. As a result, the subsequent testing work will very likely be deferred and completed in the fourth quarter of 2023. In other words, it is highly likely that the delivery of the eMPF Platform by the Contractor will be delayed by eight months as compared to the requirement as stipulated in the contract. Nonetheless, the ultimate target of completing the onboarding of all MPF schemes and making the eMPF Platform fully functional in 2025 remains unchanged.

The MPFA and the Company have requested the Contractor to work out a recovery plan to catch up on the progress and minimize the expected delay. Moreover, the Contractor was requested to engage a third-party professional consultant to conduct an independent assessment on the recovery plan to ascertain its feasibility and credibility. To prevent further slippage of the Project and safeguard system integrity, the MPFA and the Company have put in place various project management enhancement measures to step up the involvement of the Contractor's top management, project monitoring and resources management.

At the same time, the Company has reserved all its rights under the contract, including legal actions against the Contractor such as claiming liquidated damages from the Contractor for its delay in system delivery.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)038

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2484)

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:	Financial Secretary and Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 66 of the Budget Speech that the Hong Kong Investment Corporation Limited (HKIC) has commenced operation and is identifying partner companies. In this connection, please advise of the following:

1. What are the details of relevant plans? What are the Government's criteria for selecting co-investment partners for the funds? Will the funds' capabilities, investment strategies and performance be among the criteria used? If yes, what are the details?

2. Will long-term objectives be set? If yes, what are the details? If no, what are the reasons? What is the role of the Government in formulating investment strategies, including those for designing investment portfolios diversified across various asset classes, industries and markets?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 41)

Reply:

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth, with a view to creating more quality career development opportunities for people and promoting the cooperation of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and fostering mutual development.

On 15 February 2023, the Government announced the membership of the Corporation's Board of Directors (Board). The Board is to formulate the Corporation's investment strategies and mandate, including devising appropriate investment strategies as well as procedures and criteria in sourcing investment partners or targets according to the different focuses of funds under its management. The Corporation will consider making co-investments through the Co-Investment Fund taking into account the potential of enterprises or individual projects to drive industry development and employment in Hong Kong. The Office for Attracting Strategic Enterprises led by the Financial Secretary is preliminarily engaging with certain enterprises.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)039

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2644)

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:

Would the Government elaborate on the specific measures adopted in the past 3 years for promoting the development of bond market in Hong Kong and the economic benefits brought to Hong Kong by such measures? In addition, what specific measures will be adopted by the Government for promoting the development of retail bond market in Hong Kong in 2023-24? What will be the expenditure involved in issuing no less than $50 billion of Silver Bond and $15 billion of retail green bond in the next financial year?

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

Reply:

In the past 3 years, we continued to promote the development of the bond market in a multi-pronged approach, with specific measures as set out below.

(1) Issuing Government bonds

In July 2021, we raised the borrowing ceiling of the Government Bond Programme (GBP) and the Government Green Bond Programme (GGBP) to HK$300 billion and HK$200 billion respectively, and have issued bonds under the 2 programmes continuously. During 2020-21 to 2022-23, we issued a total of HK$63.9 billion of institutional bonds and HK$125 billion of retail bonds (including HK$90 billion of Silver Bonds and HK$35 billion of inflation-linked bonds) under the GBP. We also issued around US$12 billion worth of institutional bonds and HK$20 billion of retail green bonds under the GGBP. These issuances achieved a number of breakthroughs, including the inaugural issuance of Hong Kong Dollar Overnight Index Average-indexed Floating Rate Notes, Renminbi bonds, Euro bonds, and 30-year US dollar bonds in 2021; the inaugural issuance of retail green bond, and 20-year Hong Kong dollar bonds in May 2022; and the issuance of the largest batch of ESG bonds in Asia in January 2023.

(2) Implementing financial support measures

In 2018, we launched the Pilot Bond Grant Scheme and Green Bond Grant Scheme respectively to attract eligible issuers to issue bonds in Hong Kong. Under the 2 schemes, 134 applications were approved, involving a total underlying bond issuance of about US$47.3 billion. In May 2021, we consolidated the 2 aforementioned grant schemes and launched a new Green and Sustainable Finance Grant Scheme (the Scheme) to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As of end-February 2023, the Scheme has granted more than $160 million to over 210 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of nearly US$70 billion.

(3) Setting up the Steering Committee on Bond Market Development in Hong Kong

In 2021, the Steering Committee on Bond Market Development in Hong Kong chaired by the Financial Secretary and comprising members from the Financial Services and the Treasury Bureau, financial regulators and market experts was set up. To formulate a roadmap for promoting the diversified development of Hong Kong's bond market, the Steering Committee reviewed the situation of Hong Kong's bond market and released a report in August 2022, setting out 3 strategic directions and a series of detailed recommendations, aimed at leveraging the opportunities presented by the Mainland market and new global trends, upgrading infrastructure to attract business and resources, and promoting social and financial inclusion and facilitating participation of retail investors. We are progressively implementing those recommendations.

(4) Extending the profits tax exemption coverage for debt instruments

The Shenzhen Municipal People's Government (Shenzhen Government) issued RMB5 billion of offshore RMB municipal government bonds in Hong Kong in 2021, which was the first time that a Mainland municipal government issued offshore bonds. In 2022, the People's Government of Hainan Province issued its first offshore RMB bonds in Hong Kong, and the Shenzhen Government issued bonds in Hong Kong for the second time. In 2022, we implemented the Exemption from Profits Tax (Shenzhen Municipal People's Government Debt Instrument) Order (Cap. 112DP) to exempt the interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Government from the payment of profits tax. To support and facilitate more Mainland local governments to issue bonds in Hong Kong, we have made the Exemption from Profits Tax (Debt Instrument Issued by Mainland Local People's Government at Any Level) Order to extend the coverage of the profits tax exemption to the debt instruments issued in Hong Kong by all Mainland local people's governments at any level. This Order has come into operation from 31 March 2023.

(5) Stepping up promotion

We and financial regulators have continued to step up efforts in promoting the merits of Hong Kong's capital market to Mainland and overseas bond issuers and investors. An example is the collaboration with the Development and Reform Commission of Guangdong Province to jointly organise a seminar in September 2022 to explore the future development direction of the offshore RMB bond market in Hong Kong. The seminar provided a good platform for around 100 representatives of government authorities, financial institutions, industry organisations, trades and relevant enterprises of the 2 places to share experiences of bond issuance in Hong Kong.

Under the above measures, Hong Kong has continued to be an international bond centre in Asia. According to the International Capital Market Association, in terms of bonds issued internationally by Asia-based entities, the volume arranged by Hong Kong ranked first globally for six consecutive years since 2016, reaching a record high of US$206.8 billion and capturing 34% of the market in 2021. Hong Kong captured 63% of first-time bond issuances, well ahead of other major international financial centres.

In 2023-24, the Government will continue to implement measures to promote the development of the bond market (including the retail market). Specific measures are set out below -

(1) to issue no less than HK$50 billion of Silver Bond and HK$15 billion of retail green bonds in 2023-24 under the GBP and the GGBP respectively;

(2) to explore whether to include retail issuance under the new Infrastructure Bond Scheme to be established; and

(3) to explore with financial regulators ways to enhance the prospectus requirements and, on the premise of ensuring due protection of investors, facilitate retail investors to participate in the bond market.

Bond issuance expenses under the GBP and the GGBP are paid from the Bond Fund and the Capital Works Reserve Fund respectively. For 2023-24, the estimated expenses (including interest) for issuance of bonds under the GBP and the GGBP are HK$8.238 billion and HK$4.493 billion respectively. There is no breakdown of the estimated expenses for the issuance of Silver Bond and retail green bond separately.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)040

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2731)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

As stated in this year's Budget, the Hong Kong Monetary Authority (HKMA) is currently working with the Bank of Thailand to explore the use of Hong Kong's Faster Payment System (FPS) and Thailand's PromptPay by visitors from the two places for local payment, providing them with another safe, fast and effective payment option. Please advise on the following:

1. What are the details of this initiative, including the currencies to be used by people from the two places, general procedures of currency exchange and transaction limits?

2. What are the timetable and latest progress of the whole initiative? When will it be launched officially?

3. What are the anticipated resources required by the HKMA for this initiative?

4. Apart from working with the Mainland and Thailand, will this initiative be extended in the future to the United Arab Emirates or other popular tourist destinations for Hong Kong people, such as Japan?

5. Are there any other new plans in the future in terms of enhancing the functions of FPS and extending its applications?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 6)

Reply:

A consolidated reply to the various parts of the question is as follows:

The application of the Faster Payment System (FPS) in Hong Kong has become increasingly mature. Making use of the round-the-clock and instant settlement nature of the FPS, its application on cross-boundary payment can overcome geographical constraints and generate greater benefits. Therefore, the Hong Kong Monetary Authority (HKMA) has been working with the Bank of Thailand to explore the use of Hong Kong's FPS and Thailand's PromptPay by visitors from the 2 places for local payment, providing them with another safe, fast and effective payment option. The implementation details, including such as the payment protocol and implementation timetable, are still under discussion by the 2 sides. The HKMA will make announcement in due course. This cooperation will also pave way to further expand the reach of the cross-border payment service in future. The HKMA will continue to monitor market developments and explore the feasibility of developing cross-border payments with other jurisdictions.

Since the launch of the FPS in 2018, the usage of the FPS has expanded from person-to-person transactions to merchant payments and top-up transactions, and add-on services for Web-to-app and App-to-app payments were successively launched which have facilitated development of electronic payments. The FPS has also expanded to payments for the payment of various Government bills and services. Currently, over 80% Government departments provide FPS service as a payment option, and more public services will accept FPS payment in the next two years to bring convenience to the public. In addition, the HKMA and the People's Bank of China are conducting technical testing of using e-CNY for making cross-boundary payments in which the use of the FPS to top up is being tested. The HKMA will continue to work closely with the industry and other stakeholders to further explore new use cases of the FPS and enhance its functionality.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)041

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2732)

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 88 of the Budget Speech that the Government will put in place measures to tie in with the setting up of Renminbi (RMB) trading counters by issuers to boost the issuance and trading of RMB securities in Hong Kong. The HKEX will introduce a market maker regime in this regard in the first half of this year to promote the liquidity of RMB-denominated stocks and price efficiency. Please set out in table form the year-end market values and average daily turnover of shares currently listed in Hong Kong under the "dual tranche, dual counter" model in each of the past 3 years.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 30)

Reply:

The Hong Kong Exchanges and Clearing Limited (HKEX) established a mechanism in 2010 to allow issuance and trading of Renminbi (RMB) securities either under a single RMB-counter ("single-tranche, single-counter") model or "dual-tranche, dual-counter" (DTDC) model. Notably, the DTDC model supports simultaneous issuance of both Hong Kong dollar (HKD) and RMB securities by the same issuer, trading under 2 separate counters in the secondary market, and transfer of shares between the 2 counters.

Currently, "Bay Area Development"（Stock Code: 0737 and 80737) is the only stock listed under DTDC model in Hong Kong. Relevant information is tabulated below –

	Year 2022	Year 2021	Year 2020
End-of-year market capitalisation (HKD billion)	5.95	8.44	8.04

	Year 2022	Year 2021	Year 2020
Average daily turnover (HKD million)	0.342	0.820	0.868

HKEX does not maintain figures on HKD and RMB counters separately.

Although the overall turnover of RMB-denominated stocks in Hong Kong market remains relatively low, there is considerable interest among investors in quality RMB-denominated securities products. For example, the trading of certain RMB-denominated exchange-traded funds has been active, and the total turnover of relevant products in 2022 reached RMB 8.07 billion.

To facilitate issuers to set up RMB counters and issue more RMB stocks, there is a need to enhance the trading mechanism of dual-counter stocks to address the price discrepancy between HKD and RMB counters of the same stock. Therefore, the Government has amended the law to exempt the stamp duty payable for transactions relating to dual-counter stock made by market makers, to support the upcoming launch of dual-counter market maker (DCMM) regime by HKEX. Through providing continuous quotes and responses to quotes at the counter with lower liquidity (the RMB counter at the moment), the regime would facilitate investors to trade at their preferred prices and hence promote price efficiency. At the same time, the DCMMs can conduct arbitrage transactions between the 2 counters of the same stock, so that the prices of the 2 counters will converge over a long-term horizon. In fact, the market maker regime has proven to be effective in promoting the liquidity in the exchange-traded funds market over the past few years. Applying the arrangement to dual-counter stocks should help enhance the overall efficiency and quality of the trading mechanism of RMB stocks. The Government and HKEX have maintained close communication with listed issuers to assist them in setting up RMB trading counters. Around 20 issuers have indicated that they would give favourable considerations to setting up RMB counters in addition to HKD counters following the introduction of the DCMM regime, some of which have already submitted applications to HKEX.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)042

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2734)

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 specific promotion measures and plans in the year?
3. How is the collaboration between Hong Kong's Faster Payment System and similar payment systems in the Mainland and "e-CNY"? And what are the future plans in this respect?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 39)

Reply:

The Government, through liaison with the industry 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, as well as strengthening connection and collaboration with the Mainland and overseas markets. Specifically, our major work in 2023-24 includes –

Enhancing financial infrastructure

(i) Since the launch of the Faster Payment System (FPS) in 2018, the usage of the FPS has expanded from person-to-person transactions to merchant payments and top-up transactions, and add-on services for Web-to-app and App-to-app payments were successively launched which have facilitated development of electronic payments. The FPS has also expanded to payments for various Government bills and services. Currently, over 80% of Government departments provide FPS service as a payment option, and more public services will accept FPS payment in the next 2 years. The Hong Kong Monetary Authority (HKMA) is also working with the Bank of Thailand to explore the use of Hong Kong's FPS and Thailand's PromptPay by visitors from the 2 places for local payment, providing them with another safe, fast and effective payment option. Implementation details and timetable will be subject to the ongoing discussion between the 2 sides. The HKMA will continue to work closely with the industry and other stakeholders to further explore new use cases of the FPS and enhance its functionality to facilitate adoption by users.

(ii) The HKMA announced in September last year the policy document on e-HKD, suggesting that it will study the technology and legal foundations as well as use cases for e-HKD, for preparation for the possible implementation of e-HKD in future. The relevant work is in progress, and the timetable for implementation of e-HKD has yet to be firmed up.

(iii) Since the launch of Commercial Data Interchange (CDI) in October last year, the service has attracted the participation of 23 banks with material business in small and medium enterprises and 10 data providers. The HKMA has been actively exploring new use cases to boost the adoption of the CDI. For example, the CDI will be linked to the Consented Data Exchange Gateway developed by the Government. That will facilitate introduction of more government data sources into the CDI, thereby allowing financial institutions access to more useful data. We will continue to explore expanding the functionality of the CDI to enrich the data-driven financial service ecosystem.

<u>Building the Fintech ecosystem and nurturing talents</u>

(iv) We launched with an allocation of $10 million in 2021 the Fintech Proof-of-Concept Subsidy Scheme to encourage traditional financial institutions to partner with fintech companies to conduct Proof-of-Concept projects on innovative financial services products. A total of 93 projects were approved. We allocated another $10 million last year for launching a new round of the Subsidy Scheme, with 32 projects approved in Phase 1. The vetting of proposals of Phase 2 is expected to complete in March this year.

(v) The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech. We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The internship scheme will provide more than 150 internships in Hong Kong and the GBA. Specific internship placement arrangement will be announced in due course.

(vi) We are actively developing professional qualifications recognised under the Qualifications Framework for Fintech practitioners. The first batch of Fintech professional qualifications for the banking sector was rolled out in September last year. Financial practitioners who have successfully attained the relevant qualifications could obtain reimbursement of the tuition fees. At the same time, we are exploring to develop Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study will commence in the first quarter of this year, and expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners. The estimated expenditure of the measures concerned is $43 million.

<u>Strengthening cooperation with the Mainland and overseas</u>

(vii) Hong Kong has established a one-stop platform with the Mainland for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech initiatives, speeding up the launch of products and reducing development costs. The initiatives concerned include cross-boundary account enquiry service, cross-boundary remittance automatic add value application, cross-boundary remote account opening services and services related to Cross-boundary Wealth Management Connect.

(viii) On e-CNY, the HKMA and the Digital Currency Institute of the People's Bank of China (PBoC) have commenced the second phase of technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, involving the participation of more banks of Hong Kong in the testing and using the FPS to top up e-CNY wallets. The use of e-CNY will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in Hong Kong and the Mainland. It will enhance the efficiency and user experience of cross-boundary payments, and help promote the interconnection between the 2 places.

(ix) The HKMA, together with 3 central banks, namely the Digital Currency Institute of the PBoC, the Bank of Thailand, and the Central Bank of the United Arab Emirates, as well as the Bank for International Settlements Innovation Hub Hong Kong Centre are conducting a project named mBridge, researching on the application of wholesale Central Bank Digital Currency. The project went beyond experimentation and entered the pilot phase in Q3 2022, with 20 banks in the four jurisdictions participating. The HKMA will continue to examine with the rest of the project team on providing an option for the central banks to use CBDC to improve the pace of cross-border payment.

(x) The second phase of the Proof-of-Concept on the connection between the blockchain-based eTradeConnect and the Trade Finance Platform of the PBoC has been completed, covering the use cases of exports from Hong Kong and imports into the Mainland. Hong Kong and the Mainland will continue enhancing cooperation, with a view to providing importers and exporters of both places with more convenient trade finance services.

(xi) The dedicated Fintech team in InvestHK will promote Hong Kong’s advantages in the Mainland and overseas, including organising the annual flagship event “Hong Kong Fintech Week” in the fourth quarter this year, so as 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 in the Financial Services Branch. Apart from the allocation for above internship and subsidy schemes, we do not have a separate breakdown on the expenditure involved.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)043

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2735)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

After the Policy Address, it is further indicated in the Budget that the Hong Kong Exchanges and Clearing Limited (HKEX) will put forward specific reform recommendations on the Growth Enterprise Market (GEM) within this year and consult stakeholders. Please advise on the following:

1. Is it true that the HKEX has gauged market views once or more than once before, and therefore decided to put forward specific recommendations within this year for conducting a market consultation after carefully considering the views of various market players on the financing needs of small and medium-sized enterprises and start-ups? What are the specific details? What are the general details of the views collected?

2. Does the Government currently have any timetable for implementing the specific work plan for the reform?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 43)

Reply:

Since its establishment in 1999, the listing rules of the Growth Enterprise Market (which is called GEM at present) have been revised a number of times in view of changing market conditions. Upon repositioning GEM in 2018 as a stand-alone board, the Hong Kong Exchanges and Clearing Limited (HKEX) has been monitoring market conditions. It is cognisant of the issues of GEM conveyed by the Legislative Council and some market participants, mainly including the drop in number of new listings and turnover of GEM, the lack of interest in the market by issuers and investors, etc.

To this end, HKEX has approached different stakeholders over the past year, and is carefully considering the market views received to take forward the review. The work concerned involves many aspects, such as identifying the source of potential issuers which are suitable to raise funds through stock market but could not meet the relevant listing requirements; assessing whether potential issuers could attract investors to hold and trade relevant securities continuously; improving the liquidity of existing stocks; considering relevant risk management measures, etc. Meanwhile, HKEX will also make reference to the experiences of similar markets in other places, including the development experiences of fundraising platforms for small and medium and innovative enterprises in the Mainland. The review is still ongoing. After conducting a detailed analysis of the pros and cons of relevant measures and considering related risks, HKEX will put forward specific reform proposals on GEM within 2023 for formal consultation.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)044

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2851)

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:	Not Specified

Question:

In the Budget Speech, the Government has proposed the setting up of an Infrastructure Bond Scheme to better manage the cashflow needs of major infrastructure projects. In this connection, will the Government inform this Committee of:

i. the details of the scheme (including various infrastructure projects, annual interest rates and terms to maturity of infrastructure bonds);

ii. whether infrastructure bonds will be issued in different currencies for subscription by local and overseas organisations, high-net-worth individuals and retail investors? If yes, what are the details? If not, what are the reasons?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 42)

Reply:

Through issuance of bonds, the Government has been fostering the development of our bond market and attaining other policy objectives such as financial inclusiveness and promoting green and sustainable development. The Financial Secretary (FS) has stated in the 2023-24 Budget that Hong Kong should make good use of the room for bond issuance to support and expedite economic development while creating capacity and investing for the future, with a view to enabling early sharing of the fruits of economic development with the public. The The FS has also stated that infrastructure is one of the key areas for sustained economic development and improvement of people's quality of life, and proposed the setting up of an Infrastructure Bond Scheme (the Scheme) to better manage the cashflow needs of major infrastructure projects. At present, the Government may issue bonds in different currencies and targeting different types of investors depending on market conditions under the Government Bond Programme and Government Green Bond Programme. We will make reference to this practice when designing the new Scheme, and formulating the implementation details (including the borrowing ceiling, the infrastructure projects involved, per annum interest rate, tenor, currency, target investors, listing arrangement, etc.). The plan is to introduce the relevant proposals to the Legislative Council in 2023-24.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)045

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2852)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget Speech, the Hong Kong Exchanges and Clearing Limited will explore arrangements for maintaining operation of the market under inclement weathers and review the Self-Trade Prevention function as well as the relevant restrictions, so as to facilitate transactions of investors and dovetail with the market trend. In respect of these two initiatives, please inform this Committee of:

1. their respective backgrounds and purposes, as well as the directions and details of the preliminary measures; and
2. their preparation and implementation schedules.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 44)

Reply:

As an international financial centre, Hong Kong's securities market is deeply integrated with international markets and investors. In recent years, mutual access between the financial markets of Hong Kong and the Mainland has strengthened continuously with an increasing number of trading days. The Government has been working with the Hong Kong Exchanges and Clearing Limited (HKEX) in taking forward enhancements to the trading mechanism by considering factors beyond short-term gains, with a view to proactively aligning with international market practices and enhancing the overall market competitiveness in the long run.

With the continuous technological advancement, financial institutions have improved their business continuity plans during the pandemic. We believe it is an appropriate time to explore whether market operations could be maintained under inclement weathers so as to respond to the trading needs of domestic and foreign investors. We understand that implementation of relevant arrangements involves not only technical upgrade of trading and settlement systems, but also requires the cooperation of various stakeholders including intermediaries, banking system, index providers, etc. To this end, HKEX and financial regulators are exploring preliminary proposals for further engaging relevant stakeholders, including listening to and addressing the concerns of the financial services sector, and will put forward a detailed proposal for public consultation. If the market reaches a consensus on the proposal, HKEX will allow sufficient time for all parties to prepare for the implementation of the arrangements.

At present, there are restrictions against self-trade on trading orders placed by exchange participants in the Hong Kong securities market to prevent market manipulation. With the continuous expansion of trading strategies as the market develops, it is very common for investors to execute multiple trading instructions simultaneously. In order to facilitate market trading and increase the liquidity of Hong Kong stocks, HKEX is reviewing the existing Self-Trade prevention function and related restrictions, with deliberations covering the possibilities of introducing an automated Self-Trade prevention mechanism in the cash equities market and improving the operation of the existing mechanism in the derivatives market. Making reference to the experience of overseas markets, HKEX expects that relevant measures could reduce operating costs of investors and encourage them to adopt diversified investment strategies, which will be conducive to increasing the liquidity of the Hong Kong stock market. HKEX will fully understand the needs of stakeholders when formulating relevant measures and consult the market on specific proposals.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)046

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2853)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget that the Government will contemplate the idea of providing more risk management products for investors outside of the Mainland, including to issue Mainland government bond futures in Hong Kong. Please advise on:

1. the manpower and resources involved in the related work;
2. the background, objective and details of the plan for issuing Mainland government bond futures; and
3. the timetable for project research and implementation of the plan.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 45)

Reply:

Relevant institutions in the 2 places have been collaborating closely to expand mutual market access and explore more risk management products for investors outside of the Mainland, injecting new impetus into Hong Kong's capital market in a sustainable manner. Notably, the China Securities Regulatory Commission announced in September 2022 its support for further expanding mutual access between the Mainland and Hong Kong financial markets, including taking forward issuance of Mainland government bond futures in Hong Kong. The measure offers an effective risk management tool for investing in Mainland government bonds and facilitating offshore investors to hedge against changes in interest rates on Renminbi (RMB) assets. By facilitating Hong Kong and overseas institutions to better manage relevant investment risks, the measure will improve the liquidity and reduce the bid-ask spreads in the Mainland government bond market, thereby further enhancing international participation and the acceptance of the market. It will also benefit the internationalisation of RMB and drive the development of Hong Kong into a more comprehensive offshore RMB hub and risk management centre.

The Government, the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX) have commenced discussions with the relevant Mainland institutions and are in parallel taking forward the technical preparations, with a view to promptly implementing the measure. The above work is mainly taken forward by the SFC and HKEX under the coordination of the Financial Services and the Treasury Bureau. The work involved will be absorbed by existing resources and manpower, and there is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)047

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1122)

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 that virtual assets (VA) are an integral part of a vibrant third generation Internet (Web3) ecosystem, and the market has responded proactively to the policy statement on VA issued by the Government in October last year. In this regard, please inform this Committee of the following:

1. Since the issuance of the policy statement, how many enquiries from overseas enterprises on coming to Hong Kong and related matters have been received? What are the categories of such new enterprises involved and the details of their enquiries?

2. How many new enterprises have confirmed coming to Hong Kong? What are their originating countries or regions, business interests, total asset values and target time for incorporation in Hong Kong, etc.?

3. Regarding the task force on VA development to be led by the Financial Secretary, what are its earliest date of establishment, membership and number of members, specific discussion topics and expected date of submitting recommendations?

4. What are the estimated expenditure and manpower involved in 2023-24 regarding the different types of work involved in 1 and 2 above respectively? Also, what are the expenditure and manpower involved in the setting up and operation of the task force on VA development? Is additional manpower required for the relevant departments?

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

Reply:

(1), (2) & (4)

In October 2022, the Government issued a Policy Statement on Development of Virtual Assets (VA) in Hong Kong (Policy Statement), setting out the vision and policy direction of the Government in this regard.

The Policy Statement has been well received by the industry. As of end-February 2023, the dedicated Fintech team (Fintech team) under InvestHK has received expressions of interest from over 80 virtual asset-related Mainland and foreign companies in establishing their presence in Hong Kong. These companies included virtual asset exchanges, blockchain infrastructure companies, blockchain network security companies, virtual currency wallets and payment companies, as well as other projects on building the Web3 ecosystem. They primarily inquired about the implementation details of the Policy Statement, regulatory requirements, visa requirements on talent admission, targeted support measures for the virtual assets and Web3 sector, etc. They also explored the feasibility of establishing businesses in Hong Kong.

As of end-February 2023, 23 companies from the Mainland, Canada, EU countries, Singapore, the UK and the US have indicated to InvestHK that they planned to establish their presence in Hong Kong. Their business areas included virtual asset exchanges, blockchain infrastructure, blockchain network security, etc.

The Fintech team comprises 11 officers, including 1 senior manager specifically deployed to establish connections with virtual assets enterprises. The Fintech team is responsible for investment promotion work (including that for the virtual assets sector), for example, providing one-on-one consultation and connection to relevant resources in Hong Kong; sponsoring, organising and participating in investment promotion activities in Hong Kong and major cities around the world; and preparing marketing materials. InvestHK's promotion work for the virtual assets sector involves an estimated expenditure (including staff and administrative costs) of about $3.5 million in 2023-24.

(3)

The Task Force on Virtual Assets Development (the Task Force) to be chaired by the Financial Secretary will examine the market situation, development opportunities, regulatory needs and ecosystem of the virtual assets sector in Hong Kong, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector. Membership of the Task Force will be announced in due course.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)048

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1123)

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 indicated in the Budget Speech that the Government will actively seize the opportunities brought by our country's dual carbon strategies, leverage the strengths under "One Country, Two Systems" and as an international financial centre, accelerate the development of Hong Kong into an international centre for green technology and finance, and proceed in five directions, including building a green technology ecosystem, green finance application and innovation, green certification and alignment with international standards, training for talents, and enhancing the exchange and co-operation with the Guangdong-Hong Kong-Macao Greater Bay Area and international markets.

1. Regarding the building of a green technology ecosystem, what are the overall work strategies, targets and timetables? What specific measures will be taken to attract top-notch enterprises or start-ups to set up their operations? Which department will take charge of the relevant work and whether additional manpower is required? In addition, what new measures will be taken to encourage efficient interaction among industry, academia and research sectors to commercialise research and development outcomes? What are the expenditure, manpower and implementation timetables involved in various measures?

2. Regarding the promotion of green finance application and innovation, what measures will be taken to proceed with the relevant work, including the ways to increase the financing opportunities of green projects through financial innovations? What are the details of various measures?

3. Whether the Government has drawn up any specific work strategies, targets and timetables for promoting green certification and alignment with international standards? If yes, what are the details and what corresponding measures will be taken?

4. Regarding manpower training, is there any estimation on the number of professional talents on green technology and finance required for Hong Kong in the coming 5 to 10

years? What is the difference in number when compared with the current number of talents in Hong Kong? What measures will the Government take to fill the gap as far as possible?

5. Regarding the enhancement on the exchange and co-operation with the Guangdong-Hong Kong-Macao Greater Bay Area and international markets, whether the Government has formulated any specific strategies and targets, including the measures and projects to be implemented? What are the relevant details, expenditure and manpower involved, and the implementation timetables?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 8)

Reply:

In consultation with the Innovation, Technology and Industry Bureau (ITIB), the Environment and Ecology Bureau (EEB), and the Labour and Welfare Bureau, our reply to the 5 parts of the question is as follows.

(1) Building a green technology ecosystem

In order to accelerate the overall development of local technology industries, the Government is proactively promoting the development of technology industries with an edge and strategic significance to set up business in Hong Kong. The Innovation and Technology Fund managed by the Innovation and Technology Commission has all along been supporting research and development (R&D) in different technology areas, including green technology. To promote commercialisation of outstanding R&D outcomes, the Chief Executive announced in the 2022 Policy Address that a $10 billion "Research, Academic and Industry Sectors One-plus Scheme" would be launched to fund, on a matching basis, at least 100 university research teams with potential to become start-ups to complete their projects with an aim to incentivise collaboration among industry, academic and research sectors to further promote the "1 to N" transformation of R&D outcomes and the industry development.

The EEB will continue to provide funding support for R&D projects which help Hong Kong decarbonise and enhance environmental protection with the $400-million Green Tech Fund (GTF). As at 31 December 2022, the GTF has approved 22 R&D projects, involving a total grant of around $100 million. These research projects involve technologies for the cell storage and generation of hydrogen fuel; manufacturing of biochar-enhanced construction materials; and air cleaning system for reducing roadside air pollution.

(2) Green finance application and innovation

We successfully issued $800 million of a 1-year tokenised green bond under the Government Green Bond Programme in February 2023. This was the first tokenised green bond issued by a government globally, attracting widespread attention from investors and financial media. The issuance marked an important milestone of demonstrating Hong Kong's strengths in combining bond market, green and sustainable finance (GFS) as well as fintech.

The Hong Kong Monetary Authority (HKMA) plans to issue a report in the first half of 2023 to summarise the experience from this issuance, review the development potential and prospects of tokenised bond issuance in Hong Kong, and consider policy initiatives to promote the wider use of tokenisation technology in our capital market.

Looking ahead, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group, formed by relevant Government Bureaux and financial regulators) will promote the development of green fintech in Hong Kong for furthering the GSF.

(3) Green certification and alignment with international standards

On green finance standards, the International Platform on Sustainable Finance's Working Group on Taxonomies co-led by the Mainland and the European Union (EU) published the updated Common Ground Taxonomy (CGT) report in June 2022, presenting an in-depth comparison and areas of commonality between the Mainland's and EU's taxonomies. The Steering Group, with the aim of aligning with the CGT, will explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, the Mainland's and EU's taxonomies. The Steering Group will formulate proposals on the structure and core elements of the framework for consultation.

In addition, the Steering Group supports the development of a global uniform set of sustainability reporting standard. The Steering Group will make climate-related disclosures aligned with Task Force on Climate-related Financial Disclosures (TCFD) recommendations mandatory across relevant sectors no later than 2025. In March 2022, the International Sustainability Standards Board (ISSB) published the exposure drafts on the general requirements for sustainability-related disclosure standard and climate-related disclosure standard, which are built on the TCFD recommendations. The Securities and Futures Commission and the Stock Exchange of Hong Kong Limited formed a joint working group with a view to developing proposals that are aligned with the ISSB standards for Hong Kong-listed issuers. The joint working group conducted soft consultations with over 50 listed issuers and professional bodies in April and May 2022 and will take into account their feedback when developing the proposals.

(4) Training for talents

With the goals of our country and the Hong Kong Special Administrative Region of achieving carbon neutrality before 2060 and 2050 respectively, green and sustainable development has attracted growing attention. As more GSF-related business opportunities are emerging in the financial services sector in Hong Kong and the region, the demand for relevant professionals is also on the rise. Seizing the opportunities, we have been committed to promoting the GSF to address climate-related financial risks, and proactively expanding the talent pool in Hong Kong with a view to strengthening the industry's GSF competitiveness and reinforcing Hong Kong's status as a GSF finance hub in the region. Specific measures include launching a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines; providing repositories to support the industry and students in locating data sources as well as useful learning resources and opportunities; and introducing the Sustainable Finance Internship Initiative to create more sustainable finance internship opportunities in Hong Kong for students.

The HKMA is developing a new GSF module under the Enhanced Competency Framework for Banking Practitioners, which can serve as a set of common competency standards for the banking industry to strengthen talent training. The Core Level of this new module is expected to be launched in the second quarter of 2023. We are also developing Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study has commenced in the first quarter of this year, and is expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners in consultation with the industry.

Also, a number of local tertiary institutions have been offering undergraduate and postgraduate programmes related to environmental protection to meet the demand for environmental and green industry talents in Hong Kong. To help young people seize the career opportunities brought about by low-carbon transformation, the EEB and the Environmental Protection Department (EPD) have been organising summer internship and mentorship programmes for years. The Graduates Subsidy Programme has also been launched to subsidise private companies and suitable organisations to employ fresh graduates to work in areas related to environmental protection. Moreover, the EPD collaborates with various professional societies and organisations to provide engineering graduates with internship and training opportunities in environmental engineering. Besides, professional training courses on environmental protection are offered through the GreenPro Training Programme.

The Reindustrialisation and Technology Training Programme subsidises local enterprises on a matching basis to train their staff in advanced technologies. Subsidised enterprises are from different industries, many of which are small and medium enterprises. Many subsidised programmes are related to environmental protection and sustainable development.

The Government regularly updates the Manpower Projection, assessing the broad trends of future manpower supply and requirements in different key local economic sectors at the macro level. Through the above measures, we have been supporting local enterprises in training green technology and finance talents. We will continue to monitor market demand for the relevant talents.

(5) Enhancing the exchange and co-operation with the Guangdong-Hong Kong-Macao Greater Bay Area and international markets

The Central People’s Government promulgated the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) in 2019, supporting Hong Kong’s development into a green finance centre in the region. The Opinion on Providing Financial Support for the Development of the GBA subsequently promulgated in May 2020 encourages more GBA entities to make use of Hong Kong’s platform for the financing and certification of their green projects, and supports Guangdong incorporated financial institutions to issue green bonds and other green financial products in Hong Kong.

The Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding (MoU) with the Guangzhou Futures Exchange 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 co-operation in such areas as clearing, technology, marketing and investor education. HKEX further signed a MoU with the Guangzhou-based

China Emissions Exchange in March 2022 to explore co-operation opportunities in carbon finance, including jointly exploring the development of a carbon centre in the GBA, and working together to share research and experience on carbon market financing and global carbon market standards, to assist in the internationalisation of the Mainland's carbon market.

We will continue to capitalise on the enormous green finance opportunities presented by the GBA, striving to encourage more entities to make use of Hong Kong's financial and professional services for green and sustainable investment, financing and certification in support of the green enterprises and projects in the GBA.

The Government also attaches great importance to co-operation with other places on the environmental front such as combating climate change. Relevant measures include exchange of data/ experience, joint researches, exploring region-wide standards, various projects to conserve/ protect/ restore the environment or ecology, etc.

Apart from the subsidy schemes, the aforementioned work undertaken by the relevant Bureaux and Departments will be absorbed by existing manpower and resources. There is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)049

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1124)

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 announced in the Budget that the Government will set up a Green Technology and Finance Development Committee and organise an International GreenTech Week at the end of this year. Which policy bureau will be steering or leading the development of green technology and finance? Will the Government set up a cross-bureaux team dedicated to speeding up the relevant work and enhancing the efficiency? If yes, what are the details? Also, are there any specific objectives in organising the International GreenTech Week?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 9)

Reply:

In consultation with the Innovation, Technology and Industry Bureau (ITIB) as well as the Environment and Ecology Bureau, our reply to the question is as follows.

The Financial Secretary announced in the 2023-24 Budget that he will set up a Green Technology and Finance Development Committee (the Committee), inviting industry representatives from green technology, green finance and green standard certification, etc., to assist in the formulation of an action agenda for promoting the development of Hong Kong into an international green technology and finance centre. The Financial Services and the Treasury Bureau will be responsible for the secretariat work of the Committee. Specific details will be announced in a timely manner.

The Government will organise an International GreenTech Week at the end of 2023 to pool together representatives, enterprises and investors from the green technology industries around the world. The ITIB is, together with relevant policy bureaux/departments, formulating a concrete plan and will make timely announcement. Through the International GreenTech Week, we hope to promote the application of green technologies, facilitate exchange among professionals and enterprises both inside and outside the sector on the latest developments in green technologies, and at the same time let enterprises and investors understand the business opportunities generated by green technologies with a view to fostering more investment matching.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)050

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1125)

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 indicated in the Budget that a mechanism will be introduced to provide facilitation for companies domiciled overseas, particularly enterprises with a business focus in the Asia-Pacific region, for re-domiciliation to Hong Kong, and that the Government will conduct consultation and submit legislative proposals in 2023-24. When will the relevant consultation and legislative exercise be expected to commence at the earliest? Has the Government drawn up a list of target countries and regions? Are there any particular category and field of enterprises which the Government wishes to attract?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 10)

Reply:

We started in March 2023 consulting major stakeholders, including business chambers, professional bodies and relevant statutory advisory bodies on the proposal of introducing a company re-domiciliation mechanism. Upon taking into account stakeholders' views we will start formulating the details of the legislative proposal with a view to presenting it in 2023-24. We will also consult the relevant Panel of the Legislative Council.

We took the first step in 2021 to put in place a user-friendly fund re-domiciliation mechanism for Open-Ended Fund Companies and Limited Partnership Funds to facilitate foreign funds to establish and operate in Hong Kong. Upon re-domiciliation, the continuity of the fund, such as its legal entity, contracts made, property, rights, privileges, obligations, etc., can be preserved.

As regards the proposed company re-domiciliation regime, we in principle would widen the application of the proposed company re-domiciliation mechanism as far as practicable, making the mechanism to be generally applicable to companies coming from different places and of different types. We will put in place appropriate administrative arrangements to ensure that companies applying to re-domicile to Hong Kong are of good standing, but we do not plan to impose restrictions on the originating jurisdiction or the industry type of the companies.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)051

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1127)

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 introduction of a new Capital Investment Entrant Scheme,

1. what is the earliest expected time for launching the Scheme? How much resources and manpower will the Government allocate for its implementation?
2. what are the details of the scheme? For instance, the objectives of the scheme, application criteria and requirements, restrictions on the investment scope and amount in Hong Kong, etc. Will the scope of investment cover technology-related projects? If applicants are allowed to invest in projects, enterprises and funds related to local technology, will the applications be assessed by institutions such as Cyberport, the Science Park and Hong Kong Productivity Council? What will be the assessment criteria?
3. what are the target number of successful applicants entering Hong Kong and the expected total asset value upon implementation of the scheme in the first year, as well as the expected economic benefits for Hong Kong brought about by the scheme, such as the ability to attract talents and capital?
4. will the Government step up promotion work in the Mainland and overseas, including a selection of some target countries and areas, before launching the scheme so as to attract more target applicants? What specific tasks and roles will be taken up by our Offices outside Hong Kong?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 12)

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)052

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1133)

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 respect of widening the mutual access between the Mainland and Hong Kong, it is mentioned in the Budget Speech that the Government will continue to explore with the Mainland various proposals on expansion of mutual market access and enhancement arrangements, and that the Government will contemplate the idea of providing more risk management products for investors outside of the Mainland, including issuing Mainland government bond futures in Hong Kong. In this connection, please advise on the following:

1. Regarding exploring with the Mainland various proposals on expansion of mutual market access and enhancement arrangements, what are the results that the Government hopes to achieve in 2023-24? How soon will the relevant details be expected to be announced?

2. Regarding contemplating the idea of providing more risk management products for investors outside of the Mainland, what are the cost and manpower involved as well as the implementation timetable? What are the major directions to be explored? Will they include the types of risk management products and the ease of introducing the products?

3. What are the standards and principles that the Government will consider when deciding whether to introduce a new risk management product? What are the specific strategies?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 18)

Reply:

The National 14th Five-Year Plan clearly supports Hong Kong to strengthen its status as a global offshore Renminbi (RMB) business hub as well as deepen and widen the mutual access between the Mainland and Hong Kong financial markets. We are closely collaborating with relevant Mainland authorities with a view to promptly implementing the measures supported by regulators in the 2 places. Notably, exchanges in Shanghai, Shenzhen and Hong Kong implemented the expansion of scope of eligible stocks under Stock Connect on 13 March 2023, including the addition of eligible stocks of foreign companies under Southbound trading. Meanwhile, technical preparation work by relevant institutions in the 2 places for implementing Northbound trading of Swap Connect is in full swing, so as to commence trading as soon as practicable. In addition, the Government and the regulators will continue to explore with relevant Mainland authorities other proposals on expansion of mutual market access and enhancement arrangements, with a view to furthering the interaction and integration of capital markets in the 2 places. The regulators will announce the relevant arrangements to the market in due course.

To address the demand for risk management from Hong Kong and international investors, we have been proactive in introducing more diversified risk management products with the aim to enable overseas investors to manage risks relating to investment in Mainland assets more effectively. Further to the launch of the offshore A-share index futures in 2021, we are actively taking forward the implementation of Swap Connect and issuance of Mainland government bond futures, which will create a more comprehensive ecosystem of offshore derivative products in Hong Kong. It will be conducive to the development of Hong Kong's offshore RMB market, thereby consolidating Hong Kong's status as a global offshore RMB business hub and risk management centre. We will continue to enrich the choices of risk management tools for Hong Kong and international investors.

The above work is mainly taken forward by the financial regulators and the Hong Kong Exchanges and Clearing Limited under the coordination of the Financial Services and the Treasury Bureau. The work involved will be absorbed by existing resources and manpower, and there is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)053

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1134)

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 announced in the Budget that the Government will introduce a listing regime for advanced technology companies in the first quarter of this year to expand the listing channel for issuers. In this connection, please inform this Committee of:

1. the specific timetable for introducing the listing regime for advanced technology companies;

2. the estimated number of advanced technology companies to be listed in the first year after the introduction of the new regime, the respective share of local, Mainland and overseas technology companies, as well as the technology areas, market value and estimated funds raised of the companies; and

3. the anticipated benefits of the new regime in relation to the financial and economic development of Hong Kong and the Greater Bay Area.

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 19)

Reply:

After consulting the market, the Hong Kong Exchanges and Clearing Limited (HKEX) launched the listing regime for specialist technology companies in March 2023. The regime has expanded the listing channel for issuers, facilitating specialist technology enterprises that have yet to meet the existing profit or revenue requirements of the Main Board to list and raise funds.

The regime covers 5 key technology industries including next-generation information technology, advanced hardware and software, advance materials, new energy and environmental protection, and new food and agriculture technologies. As listing activities are affected by various external factors including macroeconomic and market situation, as well as breakthrough developments of relevant technology fields, HKEX cannot provide an estimate on the number of new listing companies in Hong Kong and their technology areas.

Hong Kong is committed to contributing to the country's developments by leveraging its advantages. The new listing regime will enhance Hong Kong's status as a premier listing venue for global innovative companies, while offering more choices for the market and increasing market liquidity, thereby developing Hong Kong into a broader and deeper fundraising platform. In furtherance of the national policy on the development of "new, distinctive, specialised and sophisticated" enterprises, with our successful experience in allowing listing of pre-revenue/pre-profit biotechnology companies in Hong Kong, the listing regime for specialist technology companies will facilitate innovative enterprises including those from the Guangdong-Hong Kong-Macao Greater Bay Area to access international capital, driving forward the development of technology industries by guiding the effective allocation of funds through the capital market.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)054

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1135)

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 that the asset and wealth management industry is an essential part of Hong Kong's financial industry as well as an important component contributing to our status as an international financial centre under the 14th Five-Year Plan, and that the Government will actively take forward a series of measures to further strengthen Hong Kong's status as the asset and wealth management hub in Asia. In this connection:

1. Regarding the allocation of $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong, what are the specific work and measures to be taken forward by the Government, the expenditure and manpower to be involved and the implementation timetable? Has the Government set any targets in respect of the number of family offices to be attracted to Hong Kong each year and the aggregate amount of asset value involved? Are there any target countries or regions in this regard?

2. The Financial Services and the Treasury Bureau has set up a steering group to oversee key projects including the "Wealth for Good in Hong Kong" Summit in end-March, as well as the provision of dedicated training for relevant wealth management talents. What is the estimated number of family offices to be attracted to Hong Kong through organising summits and the asset value involved? What countries or regions will the family offices mainly come from?

3. Has the Government assessed whether there are sufficient asset and wealth management talents in Hong Kong to tie in with Hong Kong's development into the asset and wealth management hub in Asia? If yes, what are the expected outcomes and the measures to narrow the relevant talent gap?

4. What are the details of the dedicated training provided by the steering group for relevant wealth management talents (including the number of training places per year,

expenditure and manpower involved, departments and staff responsible for the training, as well as the syllabus)?

5. Regarding the Government's efforts to strengthen Hong Kong's status as the asset and wealth management hub in Asia, what are the specific plan and setting? Apart from attracting more family offices to Hong Kong, what new measures will the Government roll out in the next stage?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 21)

Reply:

(1), (2) and (5)

The Government has been actively promoting the development of family office business in Hong Kong to help the industry seize new business opportunities. As announced in the 2022 Policy Address, the target is to facilitate no less than 200 family offices to set up operations or expand their business in Hong Kong by end-2025.

The Government introduced the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (the Bill) into the Legislative Council (LegCo) in December 2022, which seeks to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices in Hong Kong. Upon LegCo's passage of the Bill, the tax exemption will be applicable to any years of assessment commencing on or after 1 April 2022.

With funding support of the Financial Services and the Treasury Bureau, Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) to provide one-stop support services to family offices and ultra-high-net-worth individuals interested in developing their foothold in Hong Kong. The dedicated team conducted over 50 investment promotion activities in 2022, and stepped up publicity and promotion through a global public relations strategy. To further support the work of InvestHK in attracting more family offices to Hong Kong, the Government will allocate $100 million to InvestHK over the next 3 years. With the return to normalcy, the dedicated team plans to roll out diversified and face-to-face interactive events (such as seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2023 to promote to target clients Hong Kong's competitiveness as a family office hub. The dedicated team, in collaboration with its investment promotion units or its consultants based in the Economic and Trade Offices around the world, will also conduct roundtable forums with the theme of family offices in major cities.

As a key component of the Government's promotion strategy, the Wealth for Good in Hong Kong Summit held on 24 March 2023 is an international top-level exclusive event for global family offices and asset owners. It showcases Hong Kong's unique advantages as an international asset and wealth management centre, introduce opportunities for global family offices for wealth allocation, thereby fostering the long-term development of family office business. Through the Summit, the Government will establish direct connection with decision makers of global family offices and assist them in exploring opportunities and implementing development plans in Hong Kong.

The Financial Services Branch will handle the work involved with existing resources and manpower. The dedicated team of InvestHK comprises 8 investment support officers, including 4 investment promotion managers, 1 deputy global head and 3 overseas regional heads, with an estimated budget of $50 million for 2023-24.

(3) and (4)

According to the Securities and Futures Commission's Asset and Wealth Management Activities Survey 2021, there were about 54 000 practitioners in the asset and wealth management sector as at end-2021. Separately, the Government's latest Report on Manpower Projection to 2027 has estimated that the overall manpower requirement of the financial services industry will continue to rise at an annual growth rate of 1.1% from 2017 to 2027.

The Government has been implementing a number of measures on financial services talent training. The "Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector" has been operating since 2016, with over 19 000 attendees in eligible training courses and over 580 tertiary students having completed their internships. The Financial Secretary announced in the 2023-24 Budget that the programme will be extended for 3 years up to 2025-26 to nurture more talents for the industry and enhance practitioners' professional competency. In addition, the Hong Kong Monetary Authority and the Private Wealth Management Association has co-organised the "Pilot Apprenticeship Programme for Private Wealth Management" since 2017 to provide professional training and employment opportunities for university students interested in private wealth management work. Over 300 university students have participated in the Programme thus far.

As for dedicated training for relevant wealth management talents, it will be taken forward by the Financial Services Development Council (FSDC). FSDC is considering the details and specific arrangements.

The Government will also introduce a new Capital Investment Entrant Scheme (the New Scheme) and is formulating details of the New Scheme, which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)055

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1136)

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 indicated in the Budget Speech that the Government will continue to take forward the application testing and preparatory work for various financial technology (Fintech) infrastructure projects, including "e-HKD" and "e-CNY" as cross-boundary payment facilities. In this connection, please inform this Committee of the following:

1. Regarding the development of the International Innovation and Technology Centre and digital economy, has the Government assessed the kinds of Fintech infrastructure that Hong Kong needs, and of them, the kinds of infrastructure that are currently lacking in Hong Kong or require improvement and enhancement?

2. Has the Government formulated any specific timetables for taking forward the application testing and preparatory work for various Fintech infrastructure projects, including the application testing for those infrastructure projects that will be conducted in 2023-24?

3. Are various stakeholders in the market fully prepared for and ready to meet the software requirements of the application testing?

4. How soon will we hear the good news about the cross-boundary payment facilities?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 22)

Reply:

Fintech infrastructure is one of the cornerstones supporting the development of Fintech in Hong Kong. We strive to enhance the Fintech infrastructure which underpins Fintech adoption in the areas of payment, cross-boundary settlement and application, and business financing. The latest development of relevant measures on financial infrastructure is as follows –

(1) Faster Payment System (FPS): Since the launch of the FPS in 2018, the usage of the FPS has expanded from person-to-person transactions to merchant payments and top-up transactions, and add-on services for Web-to-app and App-to-app payments were successively launched which have facilitated development of electronic payments. The FPS has also expanded to payments for the payment of various Government bills and services. Currently, over 80% Government departments provide FPS service as a payment option, and more public services will accept FPS payment in the next 2 years to bring convenience to the public. The HKMA is also working with the Bank of Thailand to explore the use of Hong Kong's FPS and Thailand's PromptPay by visitors from the 2 places for local payment, providing them with another safe, fast and effective payment option. Implementation details and timetable will be subject to the ongoing discussion between the 2 sides. The HKMA will continue to work closely with the industry and other stakeholders to further explore new use cases of the FPS and enhance its functionality to facilitate adoption by users.

(2) Commercial Data Interchange (CDI): Since the launch of the CDI in October last year, the service has attracted the participation of 23 banks with material small and medium enterprise business and 10 data providers. The HKMA has been actively exploring new use cases and developing improvement measures to further boost the adoption of the CDI. The CDI will be linked to the Consented Data Exchange Gateway developed by the Government. That will facilitate introduction of more government data sources into the CDI, thereby allowing financial institutions access to more useful data. We will continue to explore expanding the functionality of the CDI to enrich the data-driven financial service ecosystem.

(3) e-HKD and e-CNY: The HKMA announced in September last year the policy document on e-HKD, suggesting that it will study the technology and legal foundations as well as use cases for e-HKD, for preparation for the possible implementation of e-HKD in future. The relevant work is in progress, and the timetable for implementation of e-HKD has yet to be firmed up. In addition, the HKMA and the People's Bank of China (PBoC) are conducting technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, which will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in the Mainland and Hong Kong, and help promote interconnection. The testing includes the use of the FPS to top up, and four Hong Kong major retail banks and whitelist-invited participants are joining the testing which will help assessing the required preparation and readiness of market users.

(4) Multiple Central Bank Digital Currency Bridge (mBridge) Project: The HKMA, together with 3 central banks, namely the Digital Currency Institute of the PBoC, the Bank of Thailand, and the Central Bank of the United Arab Emirates, as well as the Bank for International Settlements Innovation Hub Hong Kong Centre are conducting a project named mBridge, researching on the application of wholesale Central Bank Digital Currency (CBDC). The project went beyond experimentation and entered the pilot phase in Q3 2022, with 20 banks in the four jurisdictions participating. The HKMA will continue to examine with the rest of the project team on providing an option for the central banks to use the CBDC to improve the pace of cross-border payment.

- End -

<u>Examination of Estimates of Expenditure 2023-24</u>

Reply Serial No.

FSTB(FS)056

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1184)

<u>Head</u>:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
<u>Subhead (No. & title)</u>:	(-) Not Specified
<u>Programme</u>:	(-) Not Specified
<u>Controlling Officer</u>:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
<u>Director of Bureau</u>:	Secretary for Financial Services and the Treasury

<u>Question</u>:

The launch of Core Climate by the Hong Kong Exchanges and Clearing Limited last October for the trading of international voluntary carbon credits signifies a critical step forward in the development of carbon marketplace in Hong Kong. For the next step, does the Government plan to follow the example of the Mainland in establishing a local mandatory carbon trading market. If yes, what are the requirements that Hong Kong has to meet and the preparations to be made? Should the Greater Bay Area be taken into consideration as well? What is the specific implementation timetable? If there is no plan to establish a mandatory carbon trading market, what are the reasons? Does the Government foresee any impact on the possible connection and interface between the carbon trading markets of Hong Kong and the Mainland in the future?

<u>Asked by</u>: Hon CHIU Duncan (LegCo internal reference no.: 36)

<u>Reply</u>:

In consultation with the Environment and Ecology Bureau, our reply to the question is as follows.

Formed by relevant Government Bureaux and financial regulators, the Green and Sustainable Finance Cross-Agency Steering Group published in March 2022 a preliminary feasibility assessment for Hong Kong to pursue carbon market opportunities and recommends, among others, developing Hong Kong into a global, high-quality voluntary carbon market, and enhancing cooperation on carbon market development in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding with the Guangzhou-based China Emissions Exchange in March 2022 to explore cooperation opportunities in carbon finance, established the Hong Kong International

Carbon Market Council in July 2022 with members of the Council comprising corporates and financial institutions from the Mainland, Hong Kong and overseas, and subsequently launched a new international carbon marketplace Core Climate in October 2022, which is currently the only carbon marketplace that offers HKD and RMB settlement for the trading of international voluntary carbon credits. We and HKEX will continue to work with stakeholders to explore climate-related opportunities and support the development of the carbon ecosystem, including expanding Hong Kong's products and services suite and enhancing the trading mechanism and infrastructure as well as exploring standards development, with a view to building Hong Kong into a leading carbon trading hub.

Compliance carbon markets (also known as compulsory carbon markets) provide a regulated mechanism for emitting entities to trade allowances, each representing a permit issued by regulators to emit a tonne of carbon emissions. Since there is no quota mechanism for carbon emissions in Hong Kong, the Government currently has no plan to establish a local compliance carbon market.

The Financial Secretary announced in the 2023-24 Budget the establishment of a Green Technology and Finance Development Committee, inviting industry representatives from green technology, green finance and green standard certification, etc., to assist in the formulation of an action agenda for enhancing the exchange and cooperation with the GBA and international markets and promoting the development of Hong Kong into an international green technology and finance centre.

We will continue to leverage 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 to proactively integrate into the national development of our country and assist in the comprehensive green transformation of the GBA.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)057

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2674)

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 the Government issued the inaugural one-year tokenised green bonds in mid-February this year and institutional investors were the targets of this pilot issuance. Upon consolidating the experience gained, the Government will review the development potential and prospects of tokenised bond issuance in Hong Kong, and consider policy initiatives to promote the wider use of tokenisation technology in Hong Kong's capital market. In this connection, please advise on the following:

1. Did the latest issuance of tokenised green bonds, including the total amount of issuance, meet the Government's original expectation on the whole?
2. When will the Government conclude its findings and publish a relevant report or white paper? Has relevant work schedule been drawn up?
3. What is the estimated earliest time for conducting consultation on extending the issuance targets of tokenised green bonds to retail investors, and is there a specific timetable? If the consultation is to take place in the 2023-24 financial year, what will be the expenditure and manpower involved?
4. Given that the said pilot issuance still retained some of the elements of traditional issuance, what enhancement plans will be adopted by the Government in its next step?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 20)

Reply:

We successfully issued $800 million of a 1-year tokenised green bond under the Government Green Bond Programme in February 2023. This was the first tokenised green bond issued by a government globally, attracting widespread attention from investors and financial media. The issuance marked an important milestone of demonstrating Hong Kong's strengths in combining bond market, green and sustainable finance as well as fintech.

Bond tokenisation has the potential to enhance the efficiency and reduce the cost of bond issuance and settlement. It is still a nascent field for which trials will be required to test out various aspects of the whole process, including issuance, settlement, coupon payment, redemption, etc. Technical and non-technical issues will need to be addressed to realise the vision of a holistic adoption of the technology concerned in the bond market. The Hong Kong Monetary Authority plans to issue a report in the first half of 2023 to summarise the experience from this issuance and set out the next steps.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)058

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0722)

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:

It is mentioned in the Budget that to further nurture Fintech talents, the Government will launch a Fintech internship scheme for post-secondary students, under which subsidies will be provided to participating students in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). It is also mentioned in this Programme that the Matters Requiring Special Attention in 2023-24 include introducing the Financial Technology Internship Scheme for Post-secondary Students in Hong Kong and the GBA to foster talent development in these aspects in Hong Kong. In this connection, will the Government inform this Committee of:

1. the expected number of Fintech institutions that will participate in the internship scheme, as well as the numbers of internship places for post-secondary students from Hong Kong and the GBA respectively in 2023-24; and
2. the estimated manpower and expenditure involved.

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 13)

Reply:

Through collaboration with the industry and financial regulators, we have introduced a number of initiatives to nurture financial technology (Fintech) talents, including 2 rounds of Financial Practitioners Fintech Training Programme launched in 2020 and 2022, as well as the development of the Fintech Qualification Framework, so as to promote the professional development of Fintech talents and expand the Fintech talent pool in Hong Kong. The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech.

We will implement the internship scheme starting in 2023-24. The scheme will provide more than 150 internship in Hong Kong and the GBA. The Financial Services and the Treasury Bureau will partner with Fintech enterprises of the 2 places and local and GBA institutions which offer programmes in Fintech-related disciplines to work out the implementation details. Specific internship placement arrangement will be announced in due course.

We have earmarked $12 million for the internship scheme. The Financial Services Branch will handle the workload under existing manpower.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)059

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3046)

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 Growth Enterprise Market (GEM) in Hong Kong was launched in 1999 with the aim of enabling small and medium enterprises (SMEs) and innovative enterprises which do not meet the Main Board's listing requirements to be listed for raising funds. However, since its reform in 2018, GEM has raised its listing requirements and cancelled the streamlined application procedure for transfer from GEM to the Main Board, making it more difficult for SMEs to raise funds. In this connection, will the Government inform this Committee of:

1. the changes in the numbers of listed companies on GEM and their total turnover and market values in each of the years since the reform of GEM in 2018;
2. the numbers of GEM listing applications and the total amount of funds raised since the reform of GEM in 2018, with a breakdown by categories including but not limited to successful/rejected/withdrawn applications; and
3. the reasons for unsuccessful GEM listing applications?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 29)

Reply:

The total number of listed companies, annual turnover, total market capitalisation, and new listing applications of GEM in the past 5 years are set out in the table below:

	2018	**2019**	**2020**	**2021**	**2022**
Total number of listed companies	389	378	368	353	340
Annual turnover ($ million)	127,487	49,861	86,366	95,892	40,998
Total market capitalisation (year-end) ($ million)	186,183	106,699	130,823	108,381	85,050
New applications	71	45	15	12	3
Inactive applications:					
• Lapsed[1]	43	6	2	0	0
• Rejected[2]	17	8	0	0	0
• Withdrawn	8	10	0	3	1

The Hong Kong Exchanges and Clearing Limited (HKEX) does not maintain statistics on the total amount of funds to be raised relating to the new applications and inactive applications.

HKEX has been monitoring market conditions, and is cognisant of the issues of GEM conveyed by the Legislative Council and some market participants. To this end, HKEX has approached different stakeholders over the past year, and is carefully considering the market views with a view to putting forward specific reform proposals on GEM within 2023 for formal consultation.

[1] The lapsed cases refer to applications not approved within 6 months from the date of application or those with approval in principle granted but not listed within the validity period.

[2] HKEX would not disclose the reasons for individual applications that are rejected.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)060

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3047)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

To consolidate and enhance Hong Kong's status and competitiveness as an international financial centre, the Hong Kong Exchanges and Clearing Limited (HKEX) launched officially a listing regime for Special Purpose Acquisition Companies (SPACs) in January 2022, with the first SPAC listing on the Main Board in March 2022. In this connection, would the Government inform this Committee of the following:

1. How many SPAC listing applications have been received by the HKEX since the launch of the SPAC listing regime last year? What is the number of successfully listed SPACs and what is the total turnover?
2. How many SPACs have submitted applications but are not listed? What are the reasons behind?
3. HKEX Chief Executive Officer Nicolas Aguzin has said that there is a strong market demand for the SPAC listing route and it welcomes SPAC listing applications from experienced and reputable SPAC promoters seeking good quality de-SPAC targets. In this regard, are there any plans and measures to facilitate SPACs to create more opportunities for our small and medium enterprises? If yes, what are the details? If no, what are the reasons?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 30)

Reply:

Since the launch of the listing regime for Special Purpose Acquisition Companies (SPAC) in January 2022 until February 2023, the Hong Kong Exchanges and Clearing Limited (HKEX) had received 14 listing applications for SPACs, of which five were listed, raising a total of about $5 billion. There were seven lapsed applications[1] and 2 active applications under processing.

[1] The lapsed cases refer to applications not approved within 6 months from the date of application or those with approval in principle granted but not listed within the validity period.

From the first listing of SPAC in March 2022 to February 2023, the total turnover of listed SPAC securities was about $97 million. Since a SPAC is a cash company without business, investors mainly focus on its long-term growth in value upon merger and acquisition with a company with substantial business operations (a De-SPAC transaction) in future. The subscription and purchase of SPAC securities prior to a De-SPAC transaction are also restricted to professional investors under the Listing Rules. Therefore, the trading volume of SPAC securities will be relatively low as compared to general listed companies with business operations.

The listing regime for SPACs was introduced by HKEX with a view to offering another channel for enterprises to list on the Main Board in addition to traditional initial public offerings, facilitating more companies to raise funds in Hong Kong and enhancing the competitiveness of the Hong Kong listing platform. As the listing regime has only been in operation for about one year, and the listed SPACs also need time to plan and carry out De-SPAC transactions, HKEX currently has no plan to revise the relevant listing mechanism. Nevertheless, it will closely monitor the listing applications and operations of the listed SPACs, and consider the need for enhancements at an appropriate juncture. In addition, HKEX will continue to organise promotion activities through its offices and outbound visits, so as to attract more experienced and reputable promoters to list via the SPAC channel.

- End -

FSTB(FS)061

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3048)

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 97 of the Budget Speech that the Government will allocate $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong. A steering group has been set up by the Financial Services and the Treasury Bureau to provide dedicated training for relevant wealth management talents. In this connection, would the Government inform this Committee of the following:

1. the Government's plan on enhancing talent training for the financial services industry and the relevant expenditure;

2. the Government's plan on promoting family offices to set up in Hong Kong over the past year and its effectiveness; and

3. whether the Government plans to assist in the matchmaking between family offices coming to Hong Kong and our small and medium enterprises, so that the latter can provide different types of services including those in the legal and accounting areas for the creation of more business opportunities? If yes, what are the details?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 31)

Reply:

(1)

The Government is committed to strengthening and nurturing the financial talent pool to create opportunities and room for further industry development. The existing measures and programmes to nurture talents in the financial services industry are as follows:

Financial Services Industry	Measure and Programme	Actual expenditure for 2022-23 (as at February 2023)
Fintech	Financial Practitioners Fintech Training Programme The Government launched 2 rounds of Financial Practitioners Fintech Training Programme in 2020 and 2022 respectively, with a view to enhancing financial practitioners' knowledge of the practical application of Fintech, and promoting the digital transformation of financial services. With a total allocation of $5 million, the two-round Programme attracted participation of around 4 000 financial practitioners.	$4.8 million
	Pilot Scheme on Training Subsidy for Fintech Practitioners The first batch of Fintech professional qualifications recognised under the Qualifications Framework for banking practitioners was rolled out in September 2022. Meanwhile, the Government allocated $38 million in 2022 for launching the Pilot Scheme on Training Subsidy for Fintech Practitioners. Under the scheme, Fintech practitioners who have successfully attained Fintech professional qualifications will be eligible to claim reimbursement of up to 80% of the tuition fees, subject to a cap of $25,000. There are 1 500 quotas under the Scheme, which aims at promoting the professional development of Fintech talents and expanding the Fintech talent pool in Hong Kong. So far, around 230 Fintech practitioners from the banking sector have enrolled in the Fintech professional qualifications training courses. The first batch of the training courses would complete in the first quarter of 2023. The practitioners may be reimbursed with the tuition fees upon successful completion of the courses. Furthermore, we are developing Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study commences in the first quarter of this year, and is expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners in consultation with the industry.	$6.5 million

Financial Services Industry	**Measure and Programme**	**Actual expenditure for 2022-23** (as at February 2023)
Insurance Asset and wealth management	<u>Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector</u> The Government has launched the Pilot Programme since August 2016 to provide subsidy for tertiary student internships and professional training for practitioners, and promote the employment opportunities and career prospects of the industry. Since inception, for the insurance sector, the Pilot Programme has provided about 450 internship positions to tertiary students and over 15 000 participants have taken part in subsidised training courses. For the asset and wealth management sector, over 580 tertiary students have completed their internships, with about 3 800 applications for professional training course fee subsidy approved.	$4.13 million
Accountancy	<u>Guangdong-Hong Kong-Macao Young High-end Certified Public Accountants Talent Training Programme</u> The Government provided full sponsorship in 2022 for the participation of 15 Hong Kong young accountants in the Guangdong-Hong Kong-Macao Young High-end Certified Public Accountants Talent Training Programme jointly organised by the Guangdong Institute of Certified Public Accountants and the Hong Kong and Macao's accounting professional bodies. The programme will run for 18 months with the objective of nurturing high-end accounting talents that are professional, international, innovative and multi-skilled, whereby providing talent support to the development in the Greater Bay Area.	$549,000
Green and sustainable finance	<u>Pilot Green and Sustainable Finance Capacity Building Support Scheme</u> The Government launched in December 2022 a three-year Pilot Scheme with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing the eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000. The Pilot Scheme is still at its early implementation stage. Participants can only make subsidy applications	No relevant expenditure for the time being

Financial Services Industry	Measure and Programme	Actual expenditure for 2022-23 (as at February 2023)
	after successfully completing the programmes or accomplishing the qualifications. The Government will closely monitor the implementation, and continue to collect feedback from the industry, programme providers and participants.	

The 2023-24 Budget announced that the Government will launch a Fintech Internship Scheme for Post Secondary Students to enlarge the local Fintech talent pool, and extend the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector for 3 years to nurture more talents for the sectors and enhance the professional competency of practitioners. The Government will also continue to proactively attract the required talents for developing our financial services from outside Hong Kong.

(2) & (3)

The Government has been actively promoting the development of family office business in Hong Kong to help the industry seize new business opportunities. As announced in the 2022 Policy Address, the target is to facilitate no less than 200 family offices to set up operations or expand their business in Hong Kong by end-2025.

The Government introduced the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (the Bill) into the Legislative Council (LegCo) in December 2022, which seeks to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices in Hong Kong. Upon LegCo's passage of the Bill, the tax exemption will be applicable to any years of assessment commencing on or after 1 April 2022.

With funding support of the Financial Services and the Treasury Bureau, Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) to provide one-stop support services to family offices and ultra-high-net-worth individuals interested in developing their foothold in Hong Kong, including providing contacts of professional service providers (such as legal and accounting services) to address family offices' needs.

The dedicated team conducted over 50 investment promotion activities in 2022, and has stepped up publicity and promotion through a global public relations strategy. To further support the work of InvestHK in attracting more family offices to Hong Kong, the Government will allocate $100 million to InvestHK over the next 3 years. With the return to normalcy, the dedicated team plans to roll out diversified and face-to-face interactive events (such as seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2023 to promote to target clients Hong Kong's competitiveness as a family office hub. The dedicated team, in collaboration with its investment promotion units or its consultants based in the Economic and Trade Offices around the world, will also conduct roundtable forums with the theme of family offices in major cities.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)062

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2470)

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 68 of the Budget that the Government will introduce a new Capital Investment Entrant Scheme (CIES), under which applicants shall make investment at a certain amount in the local asset market, excluding property. Will the Government inform this Committee of the following:

1. In view of the past phenomenon that investment immigrants pushed up property prices, what measures will the Government take to plug the loopholes and prevent some investors from indirectly holding properties through their companies or investment in property funds?

2. In the past, some investors boosted the values of their investment in the insurance market or stock market by means of leveraged transactions, which in effect did not help the Government achieve the goal of attracting investment. How will the Government draw up measures to prevent similar occurrences in the future?

3. Will the Government consider letting the CIES link up with the Hong Kong Investment Corporation Limited (HKIC) and the Office for Attracting Strategic Enterprises (OASES), so that the capital attracted under the CIES can be directed to selected enterprises of the HKIC and the OASES, so as to increase investment in selected projects while ensuring that the CIES serves the development of local industries and prevents foreign capitals from entering Hong Kong's property market through various channels?

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 15)

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)063

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2471)

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 89 of the Budget Speech that " … will introduce a listing regime for advanced technology companies in the first quarter of this year", namely the matters referred to in Chapter 18C of the Listing Rules. When a technology company seeks a listing in Hong Kong, the financial sector benefits the most while the advantages for the overall economic structure of Hong Kong and the general public are limited. To establish a closer "connection" between technology companies seeking a listing in Hong Kong and the local community and hence create greater multiplier effect for the economic and industrial development and bring more diverse job opportunities for Hong Kong people, will the Government consider the introduction of an incentive mechanism in Chapter 18C of the Listing Rules to encourage companies seeking a listing in Hong Kong under Chapter 18C to conduct research and development (R&D) related activities in Hong Kong? For instance, less stringent listing thresholds (such as the relaxation of valuation and income requirements on companies) will be adopted so that companies seeking a listing will be subject to lower listing thresholds if they have established recognised R&D departments or have carried out substantive economic activities in Hong Kong, or the companies are of certain scale or have employed a certain percentage of local staff.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 2)

Reply:

After consulting the market, the Hong Kong Exchanges and Clearing Limited (HKEX) launched the listing regime for specialist technology companies in March 2023. The regime has expanded the listing channel for issuers, facilitating specialist technology enterprises that have yet to meet the existing profit or revenue requirements of the Main Board to list and raise funds.

The regime covers 5 key technology industries including next-generation information technology, advanced hardware and software, advance materials, new energy and environmental protection, and new food and agriculture technologies. In addition to expanding the local capital market, the new listing regime will be conducive to facilitating technology companies from different places including Hong Kong to access international capital and expand their businesses, driving forward the development of innovative technology industries and the real economy. Considering the nature and competitiveness of Hong Kong as an international financial centre, the listing requirements of HKEX should be applicable to different jurisdictions as far as possible so that potential issuers from different places would all have opportunities to list and raise funds in Hong Kong.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)064

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2508)

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:	Financial Secretary and Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 66 of the Budget Speech that the Hong Kong Investment Corporation Limited (HKIC) has commenced operation. As the HKIC is considered one of the Government's "financial tools" to nurture emerging industries in Hong Kong and promote the development of strategic industries by bringing in core technologies, industries and talent from around the world, its policy objectives should not simply focus on investment returns but, more importantly, on long-term and patient investments as well as the steering of innovation resources in the society. Hence, an appropriate performance assessment system should be put in place to appraise the performance of the HKIC. Besides, it is learnt that many enterprises have expressed interest in participating in the work of the HKIC under various categories, namely: (i) willing to provide funding for the HKIC; (ii) willing to assist the HKIC in making investments; (iii) willing to assist the HKIC in financing; and (iv) wishing to secure investments from the HKIC. In this connection, would the Government inform this Committee of the following:

1. Will the performance assessment system of the HKIC cover non-investment returns? If yes, what are the details; and if no, what are the reasons?

2. Will the details of the performance assessment system of the HKIC and subsequent performance parameters be released regularly so as to strengthen public monitoring?

3. Will a mechanism be established for enterprises interested in participating in the work of the HKIC in different areas to indicate their intentions to the HKIC for the Government's consideration?

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 1)

Reply:

(1)

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The Corporation will manage the Hong Kong Growth Portfolio (HKGP), the Greater Bay Area Investment Fund and the Strategic Tech Fund established under the Future Fund, as well as the newly established Co-Investment Fund (CIF). The initial allocation to the Corporation for management amounts to $62 billion. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth, with a view to creating more quality career development opportunities for people and promoting the cooperation of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and fostering mutual development. The Corporation's Board will formulate its investment strategies and mandate with reference to the above policy objectives.

(2)

Projects participated by the Corporation are long-term investments, and so there is a need to evaluate their effectiveness based on long-term performance. The Corporation's Board will examine and formulate the performance monitoring mechanism having regard to factors such as the actual operational needs of private equity investments and public's right to know.

(3)

The Corporation welcomes suggestions from different sectors. Interested companies or institutions may also submit investment proposals.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)065

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1677)

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 respect of the tokenised government green bond issued, please advise on the following:

1) What are the respective costs involved in the issuance of conventional government bonds and tokenised government bonds? What are the items covered?
2) Regarding tokenised government bonds, how distinctive are the relevant accounting and custodian arrangements as well as the participating institutions and platforms involved during the process? What are the costs incurred?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 2)

Reply:

(1)

We successfully issued $800 million of a 1-year tokenised green bond under the Government Green Bond Programme (GGBP) in February 2023. This was the first tokenised green bond issued by a government globally. The tokenisation issuance was a pilot project with an issuance cost (comprising legal advisory fee, green certification fee and other service fees, etc.) broadly comparable to that of our previous conventional issuances. Bond tokenisation has the potential to enhance the efficiency and reduce the cost of bond issuance and settlement. It is still a nascent field for which trials will be required to test out various aspects of the whole process, including issuance, settlement, coupon payment, redemption, etc. Technical and non-technical issues will need to be addressed to realise the vision of a holistic adoption of the technology concerned in the bond market and reduction of the overall cost.

(2)

As this tokenised green bond issuance was made under the GGBP, the financial institutions, legal advisers and professional service providers under the existing contracts continued to participate in the issuance arrangements, with the composition and cost being similar to those of the previous conventional issuances. Different from the conventional issuances, this tokenised issuance made use of a financial services institute's tokenisation platform, and was settled on a delivery-versus-payment (DvP) basis between securities tokens representing beneficial interests in the bond and cash tokens representing a claim for Hong Kong dollar fiat against the Hong Kong Monetary Authority (HKMA) on a T+1 basis across a private blockchain network. Processes of the bond lifecycle thereafter, including coupon payment, settlement of secondary trading and maturity redemption, will also be digitalised and performed on the private blockchain network.

The HKMA plans to issue a report in the first half of 2023 to summarise the experience from this issuance and set out the next steps.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)066

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1679)

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: Financial Secretary and Secretary for Financial Services and the Treasury

Question:

Regarding the Hong Kong Investment Corporation Limited (HKIC), please inform this Committee of:

1) its current capital injection situation;
2) its estimates of expenditure for 2022-23 and 2023-24;
3) whether all the capital has been consolidated into one single account for management; the establishment and pay scale points of the management company, including the numbers of civil servants and non-civil service staff;
4) details of the "co-investment" plan, including the proposals under the plan and the investments of co-investment partners already liaised;
5) how the management fee is calculated and whether there is any mechanism for external reporting, in case a manager is appointed.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 4)

Reply:

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The Corporation will manage the Hong Kong Growth Portfolio (HKGP), the Greater Bay Area Investment Fund and the Strategic Tech Fund established under the Future Fund, as well as the newly established Co-Investment Fund (CIF). The initial allocation to the Corporation for management amounts to $62 billion. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth, with a view to creating more quality career development opportunities for people and promoting the cooperation of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and fostering mutual development.

On 15 February 2023, the Government announced the membership of the Corporation's Board of Directors (Board). At the initial stage of the Corporation's operation, the Hong Kong Monetary Authority (HKMA) will render support on investment, logistics and operational matters. Relevant work would be absorbed by the existing manpower within the HKMA. The Financial Services and the Treasury Bureau is liaising closely with the HKMA on the transitional arrangements for administrative matters of the HKGP.

The Board is also to formulate the Corporation's investment strategies and mandate, including devising appropriate investment strategies as well as procedures and criteria in sourcing investment partners or targets according to the different focuses of funds under its management. The Corporation will consider making co-investments through the CIF taking into account the potential of enterprises or individual projects to drive industry development and employment in Hong Kong. The Office for Attracting Strategic Enterprises led by the Financial Secretary is preliminarily engaging with certain enterprises. Separately, where there is a need to appoint investment manager in future, the proposed management fee will be considered as a whole in the appointment process.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)067

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1680)

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 that he planned "to earmark a certain proportion of the future issuances of Government green bonds and infrastructure bonds for priority investment by Mandatory Provident Fund (MPF) funds, thereby providing MPF scheme members an additional investment option." Please advise on the following:

1) How will the measure affect the costs incurred by MPF scheme members, such as MPF management fees?
2) With technological development as well as integration of tokenised government bonds, "e-HKD" and eMPF Platform, will government bond funds with "zero administration fee" be launched, so that members of the public can choose their investment products directly instead of investing through financial institutions and MPF intermediaries?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 5)

Reply:

The Government and the Mandatory Provident Fund Schemes Authority (MPFA) have been working together to enhance the operation of MPF schemes to safeguard the interests of scheme members. Our replies to the specific questions are as follows:

1) Following the introduction of the fee-controlled Default Investment Strategy in 2017, the Government has instructed the Hong Kong Monetary Authority (HKMA) and the MPFA to look into proposals to further address society's aspirations for MPF funds that could offer stable returns at low fees. As an initial step, the Government plans to earmark a certain proportion of the future issuances of Government institutional green bonds and infrastructure bonds for priority investment by MPF funds. The HKMA and the MPFA are making preparation for the implementation of these initiatives, and details on matters such as management fees are being worked out.

2) The MPF System adopts the concept of collective investment, whereby contributions from individual MPF scheme members are pooled together and invested in different asset portfolios through different constituent funds. This enables MPF scheme members to invest in a wide range of regulated financial products regardless of their contribution amount, thereby offering greater diversity in investment products while reducing investment risk.

The Government and the MPFA strive to lower the fee level of MPF funds. The fund expense ratio of the MPF System representing the overall cost level has decreased by 37% from 2.1% in 2007 to 1.33% in 2022. At the same time, we are taking forward in full steam the development of the eMPF Platform, which will standardise, streamline and automate the administration process of MPF schemes, thereby enhancing operational efficiency of the MPF System and creating further room for fee reduction. We expect the administration fees to drop by around 30% on average in the first 2 years after implementation of the eMPF Platform, resulting in a corresponding reduction to topline fees. The total cumulative cost savings to scheme members is estimated to be in the region of $30 billion to $40 billion in the first 10 years of the eMPF Platform's operation.

Upon completion of migration of all MPF schemes, the eMPF Platform will provide one-stop shop experience to users, facilitating MPF scheme members to manage their MPF accounts and compare information of different MPF schemes and funds such as management fees and investment performance more effectively. This common electronic system will also pave way for the implementation of future reform initiatives such as Full Portability, which can increase choices and autonomy of investment and switching funds by scheme members, as well as promote market competition.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)068

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1681)

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 development of Hong Kong's bond market, please advise this Committee of the following:

1) the officers responsible for the development of the Islamic bond (sukuk) market, as well as their post titles, ranks, salary points and the actual number of officers involved;
2) the development of sukuk in Hong Kong in the past 5 years; the issuance of sukuk under the Government Bond Programme (GBP), such as the total amount of outstanding bonds, interest payments and the administration costs, etc;
3) Apart from making legislative amendments and issuing sukuk under the GBP, what are the Government's plans to promote the development of an Islamic financial market, and in particular, enhancing its attractiveness to countries and regions along the Belt and Road?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 6)

Reply:

To promote the development of the Islamic bond (or "sukuk") market in Hong Kong, we have taken concrete steps to build a conducive platform for sukuk issuances, including amending the laws in 2013 and 2014 respectively to provide a tax structure for sukuk which is comparable with that for conventional bonds, and arranging sukuk issuance under the Government Bond Programme.

We successfully issued 3 sukuk of different structures and tenors totalling US$3 billion in 2014, 2015 and 2017 respectively. The sukuk issued in 2014 and 2015 totalling US$2 billion have been redeemed upon maturity. The US$1 billion sukuk issued in 2017 will mature in 2027. The interest expenses and administrative expenses of sukuk issuances are paid from the Bond Fund. For 2023-24, the interest expenses of sukuk are estimated to be

HK$246 million, while the overall administrative expenses for the implementation of the Government Bond Programme, including those related to sukuk issuances, are estimated to be HK$86.329 million.

The 3 successful issuances have fully demonstrated that Hong Kong's legal, regulatory and taxation frameworks can readily support sukuk issuances with different structures, and helped enhance the attractiveness of Hong Kong's sukuk platform. In fact, many Islamic financial products and services have been introduced in Hong Kong, including the listing of global sukuk on the Hong Kong Stock Exchange, Islamic funds and Islamic banking windows. We will continue to step up the promotion of Hong Kong's bond issuance platform as well as the products and services that Hong Kong offers as an international financial centre, with a view to encouraging economies along the Belt and Road) to issue bonds or raise finance in Hong Kong.

The Financial Services Branch carries out the policy work relating to Islamic bond market development using existing resources. We do not have an expenditure breakdown of this item.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)069

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1686)

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 that a new Capital Investment Entrant Scheme would be introduced. Please inform this Committee of:

1) the capital requirement of the scheme; whether the scope of the scheme will be confined to investments on the industries encouraged by the Government (such as innovation and technology as well as digital economy) with a view to enhancing the steering quality of the scheme; and

2) the timetable of the scheme; the expected number of entrant applications under the scheme in the coming 3 years, and the estimated amount of capital to be brought into Hong Kong.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 11)

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)070

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1690)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

Regarding the setting up of the Green Technology and Finance Development Committee, please advise on the following:

1) What are the financial resources and staff establishment to be involved?
2) What are the estimated expenditure required and event details of the International GreenTech Week to be held at the end of this year?
3) As the work related to green technology has always been dealt with by the Hong Kong Productivity Council, how will the new Committee integrate the force of finance to promote Hong Kong as an international green technology and finance centre? What are the criteria for assessing whether this objective has been met? Will the criteria include having clear definitions, capital/output sizes of relevant sectors, Hong Kong being rated by authoritative international rating agencies as a leading "green technology and finance centre" in the world, or being rated by international surveys as a premier destination for financial activities related to "green technology"?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 15)

Reply:

In consultation with the Innovation, Technology and Industry Bureau (ITIB) as well as the Environment and Ecology Bureau, our reply to the 3 parts of the question is as follows.

(1) and (3)

The Financial Secretary announced in the 2023-24 Budget that he will set up a Green Technology and Finance Development Committee, inviting industry representatives from green technology, green finance and green standard certification, etc., to assist in the formulation of an action agenda for promoting the development of Hong Kong into an international green technology and finance centre. Specific details will be announced in a timely manner.

The Financial Services and the Treasury Bureau will be responsible for the secretariat work of the Committee. The work concerned will be absorbed by existing resources and manpower.

(2)

The Government will organise an International GreenTech Week at the end of 2023 to pool together representatives, enterprises and investors from the green technology industries around the world. The ITIB is, together with relevant policy bureaux/departments, formulating a concrete plan and will make timely announcement. Through the International GreenTech Week, we hope to promote the application of green technologies, facilitate exchange among professionals and enterprises both inside and outside the sector on the latest developments in green technologies, and at the same time let enterprises and investors understand the business opportunities generated by green technologies with a view to fostering more investment matching.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)071

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1691)

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 international conference on banking supervision, the Central Bank Governors Meeting and the Global Financial Leaders' Investment Summit, please advise on:

1) which departments/bureaux of the HKSAR Government (such as the Financial Secretary's Office and the Financial Services and the Treasury Bureau) will participate in the discussions of and provide support for the said events under planning to ensure their smooth organisation in Hong Kong; and

2) whether funding of the events has to be sought from the Legislative Council.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 16)

Reply:

The Financial Secretary's Office and the Financial Services and the Treasury Bureau will support the Hong Kong Monetary Authority (HKMA) to organise the Basel Committee on Banking Supervision meeting, the annual governors' meeting of the Bank of International Settlements, and the Global Financial Leaders' Investment Summit to ensure their smooth conduct in Hong Kong. The HKMA will bear the expenses and will not require funding from the Legislative Council.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)072

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1692)

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 Green and Sustainable Finance Grant Scheme, will the Government inform this Committee of:

1) in table form, the details of the granted projects, such as the dates, institutions involved, scales and currencies of debt issuance, approved amounts of grants, market reaction, as well as the total amount of grants provided;

2) the criteria adopted by the Government in assessing the "green and sustainable" levels of the applications, the number of staff required to handle the grant applications, as well as the staff establishment and expenditure involved;

3) the performance indicators for the Scheme, e.g. the expected reaction before the launch of the Scheme, and the estimated total amounts of debt issuance for 1 year, 3 years and 5 years respectively; and

4) whether there is any plan to further expand the Scheme by providing additional funding, raising the subsidy ratio and enhancing outreach promotion, etc.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 17)

Reply:

(1)

To attract more green and sustainable bond issuers and borrowers to use Hong Kong's fundraising platform and professional services, we launched in May 2021 a three-year Green and Sustainable Finance Grant Scheme (GSFGS) to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. Details are as follows.

Total provision	$255 million
Maximum subsidy for each eligible application	Maximum subsidy for bond issuance costs: $2.5 million Maximum subsidy for external review costs: $800,000
Number of approved applications (As of end March 2023)	Over 220
Total amount of subsidy approved (As of end March 2023)	Close to $170 million
Types of debt instruments covered	Green bonds, sustainability bonds, green loans, sustainability-linked loans, etc.
Amount of underlying debt issuance (As of end March 2023)	Over $560 billion

Among the approved cases, loans and bonds accounted for approximately 60% and 40% respectively. The issuers included both local and non-local enterprises, mainly from the real estate, construction and energy sectors. Due to commercial sensitivity, we are not able to provide details of individual approved cases.

(2)

An eligible debt instrument under the GSFGS must have been subject to pre-issuance external review by an external reviewer recognised by the Hong Kong Monetary Authority (HKMA), in accordance with relevant internationally-recognised standards. In assessing an external reviewer, the HKMA considers whether it has considerable presence in Hong Kong; satisfactory observance of internationally-recognised standards; and proven track records in providing external review services to green and sustainable bonds and loans, especially international issuances. Costs involved in processing the applications are absorbed by existing resources.

(3)

The performance indicator we have set for the GSFGS is that the total subsidy amount of the three-year GSFGS will increase by more than 30% as compared with that of the Pilot Bond Grant Scheme and the Green Bond Grant Scheme which were open for application between 2019 and 2021. Overall, in almost 2 years since the launch of the well-received GSFGS, the cumulative amount granted is close to $170 million, representing approximately two-third of the total provision for the three-year period. In recent years, green financing has seen continued growth in Hong Kong. Total green and sustainable debt issued in Hong Kong has increased by over 40% from 2021 to reach over $620 billion in 2022.

(4)

The GSFGS was launched in May 2021 for a period of 3 years. We will maintain close liaison with the industry, and examine the way forward of the GSFGS taking into account its effectiveness, industry feedback and market developments.

- End -

Examination of Estimates of Expenditure 2023-24 | Reply Serial No.

FSTB(FS)073

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1693)

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 will proceed in 5 directions to develop Hong Kong into an international centre for green technology and finance, please advise on the following:

1) the specific plans in respect of the 5 directions;
2) regarding green certification and alignment with international standards as well as training for talents, whether additional financial resources will be required for conducting relevant researches, subsidising the setting up of institutions to provide certification and alignment services, subsidising organisations to provide training and arrange for learning and work placements, etc.; what are the estimated expenditures involved;
3) regarding the areas of work in enhancing the exchange and co-operation with the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and international markets, what are the estimated shares of the GBA, other Mainland areas outside the GBA and international regions (such as ASEAN, countries along the Belt and Road, Europe and America); what approach will be adopted for exchange and co-operation; what are the estimated expenditures involved?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 18)

Reply:

In consultation with the Innovation, Technology and Industry Bureau (ITIB), the Environment and Ecology Bureau (EEB), and the Labour and Welfare Bureau, our consolidated reply to the 3 parts of the question is as follows.

The Financial Secretary announced in the 2023-24 Budget that he will set up a Green Technology and Finance Development Committee, inviting industry representatives from green technology, green finance and green standard certification, etc., to assist in the formulation of an action agenda for promoting the development of Hong Kong into an international green technology and finance centre. For the following 5 aspects, the current work includes:

(A) <u>Building a green technology ecosystem</u>

In order to accelerate the overall development of local technology industries, the Government is proactively promoting the development of technology industries with an edge and strategic significance to set up business in Hong Kong. The Innovation and Technology Fund managed by the Innovation and Technology Commission has all along been supporting research and development (R&D) in different technology areas, including green technology. To promote commercialisation of outstanding R&D outcomes, the Chief Executive announced in the 2022 Policy Address that a $10 billion “Research, Academic and Industry Sectors One-plus Scheme” would be launched to fund, on a matching basis, at least 100 university research teams with potential to become start-ups to complete their projects with an aim to incentivise collaboration among industry, academic and research sectors to further promote the “1 to N” transformation of R&D outcomes and the industry development.

The EEB will continue to provide funding support for R&D projects which help Hong Kong decarbonise and enhance environmental protection with the $400-million Green Tech Fund (GTF). As at 31 December 2022, the GTF has approved 22 R&D projects, involving a total grant of around $100 million. These research projects involve technologies for the cell storage and generation of hydrogen fuel; manufacturing of biochar-enhanced construction materials; and air cleaning system for reducing roadside air pollution.

(B) <u>Green finance application and innovation</u>

We successfully issued $800 million of a 1-year tokenised green bond under the Government Green Bond Programme in February 2023. This was the first tokenised green bond issued by a government globally, attracting widespread attention from investors and financial media. The issuance marked an important milestone of demonstrating Hong Kong’s strengths in combining bond market, green and sustainable finance (GSF) as well as fintech.

The Hong Kong Monetary Authority (HKMA) plans to issue a report in the first half of 2023 to summarise the experience from this issuance, review the development potential and prospects of tokenised bond issuance in Hong Kong, and consider policy initiatives to promote the wider use of tokenisation technology in our capital market.

Looking ahead, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group, formed by relevant Government Bureaux and financial regulators) will promote the development of green fintech in Hong Kong for furthering the GSF.

(C) <u>Green certification and alignment with international standards</u>

On green finance standards, the International Platform on Sustainable Finance’s Working Group on Taxonomies co-led by the Mainland and the European Union (EU) published the updated Common Ground Taxonomy (CGT) report in June 2022, presenting an in-depth comparison and areas of commonality between the Mainland’s and EU’s taxonomies. The Steering Group, with the aim of aligning with the CGT, will explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, the Mainland's and EU's taxonomies. The Steering Group will formulate proposals on the structure and core elements of the framework for consultation.

In addition, the Steering Group supports the development of a global uniform set of sustainability reporting standard. The Steering Group will make climate-related disclosures aligned with Task Force on Climate-related Financial Disclosures (TCFD) recommendations mandatory across relevant sectors no later than 2025. In March 2022, the International Sustainability Standards Board (ISSB) published the exposure drafts on the general requirements for sustainability-related disclosure standard and climate-related disclosure standard, which are built on the TCFD recommendations. The Securities and Futures Commission and the Stock Exchange of Hong Kong Limited formed a joint working group with a view to developing proposals that are aligned with the ISSB standards for Hong Kong-listed issuers. The joint working group conducted soft consultations with over 50 listed issuers and professional bodies in April and May 2022 and will take into account their feedback when developing the proposals.

(D) Training for talents

With the goals of our country and the Hong Kong Special Administrative Region of achieving carbon neutrality before 2060 and 2050 respectively, green and sustainable development has attracted growing attention. As more GSF-related business opportunities are emerging in the financial services sector in Hong Kong and the region, the demand for relevant professionals is also on the rise. Seizing the opportunities, we have been committed to promoting GSF to address climate-related financial risks, and proactively expanding the talent pool in Hong Kong with a view to strengthening the industry's GSF competitiveness and reinforcing Hong Kong's status as a GSF finance hub in the region. Specific measures include launching a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines; providing repositories to support the industry and students in locating data sources as well as useful learning resources and opportunities; and introducing the Sustainable Finance Internship Initiative to create more sustainable finance internship opportunities in Hong Kong for students.

The HKMA is developing a new GSF module under the Enhanced Competency Framework for Banking Practitioners, which can serve as a set of common competency standards for the banking industry to strengthen talent training. The Core Level of this new module is expected to be launched in the second quarter of 2023. We are also developing Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study has commenced in the first quarter of this year, and is expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners in consultation with the industry.

Also, a number of local tertiary institutions have been offering undergraduate and postgraduate programmes related to environmental protection to meet the demand for environmental and green industry talents in Hong Kong. To help young people seize the career opportunities brought about by low-carbon transformation, the EEB and the Environmental Protection Department (EPD) have been organising summer internship and mentorship programmes for years. The Graduates Subsidy Programme has also been launched to subsidise private companies and suitable organisations to employ fresh graduates to work in areas related to environmental protection. Moreover, the EPD collaborates with various professional societies and organisations to provide engineering graduates with internship and training opportunities in environmental engineering. Besides, professional training courses on environmental protection are offered through the GreenPro Training Programme.

The Reindustrialisation and Technology Training Programme aims to subsidise local enterprises on a matching basis to train their staff in advanced technologies. Subsidised enterprises are from different industries, many of which are small and medium enterprises. Many subsidised programmes are related to environmental protection and sustainable development.

The Government regularly updates the Manpower Projection, assessing the broad trends of future manpower supply and requirements in different key local economic sectors at the macro level. Through the above measures, we have been supporting local enterprises in training green technology and finance talents. We will continue to monitor market demand for the relevant talents.

(E) Enhancing the exchange and co-operation with the Guangdong-Hong Kong-Macao Greater Bay Area and international markets

The Central People's Government promulgated the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) in 2019, supporting Hong Kong's development into a green finance centre in the region. The Opinion on Providing Financial Support for the Development of the GBA subsequently promulgated in May 2020 encourages more GBA entities to make use of Hong Kong's platform for the financing and certification of their green projects, and supports Guangdong incorporated financial institutions to issue green bonds and other green financial products in Hong Kong.

The Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding (MoU) with the Guangzhou Futures Exchange 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 co-operation in such areas as clearing, technology, marketing and investor education. HKEX further signed a MoU with the Guangzhou-based China Emissions Exchange in March 2022 to explore co-operation opportunities in carbon finance, including jointly exploring the development of a carbon centre in the GBA, and working together to share research and experience on carbon market financing and global carbon market standards, to assist in the internationalisation of the Mainland's carbon market.

We will continue to capitalise on the enormous green finance opportunities presented by the GBA, striving to encourage more entities to make use of Hong Kong's financial and professional services for green and sustainable investment, financing and certification in support of the green enterprises and projects in the GBA.

The Government also attaches great importance to co-operation with other places on the environmental front such as combating climate change. Relevant measures include exchange of data/ experience, joint researches, exploring region-wide standards, various projects to conserve/ protect/ restore the environment or ecology, etc.

Apart from the subsidy schemes, the aforementioned work undertaken by the relevant Bureaux and Departments will be absorbed by existing manpower and resources. There is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)074

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1698)

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 will contemplate the idea of providing more risk management products for investors outside of the Mainland, including to issue Mainland government bond futures in Hong Kong. Regarding the preparation for issuing Mainland government bond futures, please inform this Committee of the following:

1) In respect of the hardware, has the system development/upgrade been completed to support the issuance of Mainland government bond futures? If not, how will the system be developed?
2) In respect of the software, will there be sufficient manpower and resources to prepare for the issuance of Mainland government bond futures?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 23)

Reply:

Relevant institutions in the 2 places have been collaborating closely to explore various proposals on expansion of mutual market access and enhancement arrangements, and providing more risk management products for investors outside of the Mainland, so as to enable them to manage risks relating to investment in Mainland assets more effectively. Notably, we are actively taking forward the issuance of Mainland government bond futures. The measure offers an effective risk management tool for investing in Mainland government bonds and facilitating offshore investors to hedge against changes in interest rates on Renminbi (RMB) assets, thereby driving the development of Hong Kong into a more comprehensive offshore RMB hub and risk management centre.

The Government, the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX) have commenced discussions with the relevant Mainland institutions and are in parallel taking forward the technical preparations, both on the hardware system and software administrative arrangements, with a view to promptly implementing the measure. The above work is mainly taken forward by the SFC and HKEX under the coordination of the Financial Services and the Treasury Bureau. The work involved will be absorbed by existing resources and manpower, and there is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)075

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1699)

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 proposed an allocation of $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong. Please advise on:

1) currently, the number of family offices in Hong Kong by capital size, the total amount of funds under their management and the related economic benefits (such as the number of people in the industry);
2) the specific plans to attract more people to set up family offices in Hong Kong and draw in more funds to be kept in Hong Kong for wealth management;
3) the details and expenditure required for the key projects (such as the summit and dedicated training) undertaken by the steering group set up by the Financial Services and the Treasury Bureau.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 24)

Reply:

The Government has been actively promoting the development of family office business in Hong Kong to help the industry seize new business opportunities. As announced in the 2022 Policy Address, the target is to facilitate no less than 200 family offices to set up operations or expand their business in Hong Kong by end-2025. The Financial Services and the Treasury Bureau has established a task force to steer and oversee the initiatives to promote family office business.

The Government introduced the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (the Bill) into the Legislative Council (LegCo) in December 2022, which seeks to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices (SFOs) in Hong Kong. Upon LegCo's passage of the Bill, the tax exemption will be applicable to any years of assessment commencing on or after 1 April 2022. The SFOs generally do not need to apply for a licence to operate in Hong Kong; therefore, comprehensive statistics on family offices are not available at present. Upon implementation of the Bill, we will be able to gauge better information on their operation in Hong Kong.

With funding support of the Financial Services and the Treasury Bureau, Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) to provide one-stop support services to family offices and the UHNWIs interested in developing their foothold in Hong Kong. The dedicated team conducted over 50 investment promotion activities in 2022, and stepped up publicity and promotion through a global public relations strategy. The 2023-24 Budget has stated that the Government will allocate $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong. With the return to normalcy, the dedicated team plans to roll out diversified and face-to-face interactive events (such as seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2023 to promote to target clients Hong Kong's competitiveness as a family office hub. The dedicated team has already established offices in Brussels and Beijing, and plans to deploy manpower in the Mainland, South East Asia and the Middle East to focus the promotion to target clients of Hong Kong's competitiveness as a family office hub. The dedicated team, in collaboration with its investment promotion units or its consultants based in the Economic and Trade Offices around the world, will also conduct roundtable forums with the theme of family offices in major cities.

As a key component of the Government's promotion strategy, the Wealth for Good in Hong Kong Summit held on 24 March 2023 is an international top-level exclusive event for global family offices and asset owners. It showcases Hong Kong's unique advantages as an international asset and wealth management centre, introduce opportunities for global family offices for wealth allocation, thereby fostering the long-term development of family office business. Through the Summit, the Government will establish direct connection with decision makers of global family offices and assist them in exploring opportunities and implementing development plans in Hong Kong.

The Financial Services Branch will handle the work involved with existing resources and manpower.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)076

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2494)

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 Fintech internship scheme for post-secondary students, please advise on:

1) the estimated total expenditure, number of student beneficiaries, duration of internship and subsidies per head under the scheme; and
2) whether there will be an evaluation mechanism to handle, for instance, statistics on participants of the scheme working in related sectors after graduation.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 39)

Reply:

Through collaboration with the industry and financial regulators, we have introduced a number of initiatives to nurture financial technology (Fintech) talents, including 2 rounds of Financial Practitioners Fintech Training Programme launched in 2020 and 2022, as well as the development of the Fintech Qualification Framework, so as to promote the professional development of Fintech talents and expand the Fintech talent pool in Hong Kong. The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech.

We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The internship scheme will provide more than 150 internship in Hong Kong and the GBA. The Financial Services Branch will partner with Fintech enterprises of the 2 places and local and GBA institutions which offer programmes in Fintech-related disciplines to work out the implementation details. Specific internship placement arrangement will be announced in due course. We will also put in place evaluation mechanism with the relevant tertiary institutions to review the implementation and effectiveness of the internship scheme.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)077

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2838)

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 Commercial Data Interchange (CDI) was launched in last October. Please advise on the following:

1. Are there any goals set, such as the estimated number of loan cases by small and medium enterprises and the estimated loans approved? If yes, whether such goals as the number of approved loan cases and the total amount of loans involved so far have been reached? If no, will such goals be set to assess the effectiveness?
2. It is expected that the CDI will be linked to the Consented Data Exchange Gateway developed by the Office of the Government Chief Information Officer at the end of this year. Please set out in table form, with breakdown by departments, the government data to be made available.
3. Are there any measures to provide incentives to promote usage?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 25)

Reply:

The Commercial Data Interchange (CDI) has been operating for a few months since the Hong Kong Monetary Authority (HKMA) launched the service in October last year. The utilisation of the CDI has largely met expectation considering that it is still at the early stage of implementation. The HKMA will continue to monitor the utilisation trend of the CDI, and explore new business use cases and develop measures to boost the utility of the CDI. For example, the CDI will be linked to the Consented Data Exchange Gateway developed by the Government. That will facilitate introduction of more government data sources into the CDI, thereby allowing financial institutions access to more useful data. The HKMA is now working with individual government departments, such as the Companies Registry, on the detailed arrangement for data interchange. In addition, we will continue to explore expanding the functionality of the CDI to further enrich the data-driven financial service ecosystem.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)078

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2899)

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:

Given that the Government has proposed to pursue the development of green finance, in terms of talent training, will it allocate more resources to provide training on green finance for lawyers?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 1)

Reply:

Talent nurturing is crucial to further promoting green and sustainable finance (GSF). In December 2022, we launched a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme) with a total provision of $200 million. The Pilot Scheme welcomes a wide range of eligible applicants, including practitioners in the financial services industry, practitioners in non-financial services industries whose roles or responsibilities involve GSF considerations (e.g., those relating to disclosure, reporting and standard, regulation and compliance, consultancy and advisory services), as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000.

The Pilot Scheme welcomes applications from lawyers and their participation in training related to the GSF.

- End -

Examination of Estimates of Expenditure 2023-24 | Reply Serial No.

FSTB(FS)079

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2900)

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

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:

Concerning the development of family office business, the Financial Services and the Treasury Bureau will provide dedicated training for relevant wealth management talents. In this regard, will training be provided for lawyers to enhance their expertise in the areas such as fund management and estate planning?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 2)

Reply:

The Government has been implementing a number of talent training measures for the asset and wealth management industry. The existing "Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector" has been operating since 2016 for nurturing more talents for the industry (including professionals providing legal services for the asset and wealth management sector) and enhance practitioners' professional competency, with over 19 000 attendees in eligible training courses and over 580 tertiary students having completed their internships. The Financial Secretary has announced in the 2023-24 Budget that the Programme will be extended for 3 years up to 2025-26. In addition, the Hong Kong Monetary Authority and the Private Wealth Management Association has co-organised the "Pilot Apprenticeship Programme for Private Wealth Management" since 2017 to provide professional training and employment opportunities for university students interested in private wealth management work. Over 300 university students have participated in the Programme thus far.

Professional services including banking, fund management, accounting, legal support, tax advice, etc., are providing the talents needed by the asset and wealth management industry. To expand the industry's talent pool and promote the development of family office business, the Financial Services and the Treasury Bureau has set up a steering group to oversee key projects including providing dedicated training for relevant wealth management talents. The work involved will be taken forward by the Financial Services Development Council (FSDC). FSDC is considering the details and specific arrangements, and will finalise them for publication as appropriate. Relevant professionals (including lawyers) providing services to the asset and wealth management industry are welcome to participate in the training.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)080

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0274)

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 a Fintech internship scheme for post secondary students will be launched to provide subsidies to participating students in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) to acquire cross-boundary practical work experience. In this regard, please advise this Committee of:

1. the expenditure involved;
2. the implementation timetable and duration of the scheme;
3. the estimated numbers of beneficiaries in Hong Kong and other cities in the GBA respectively; and
4. the details on Fintech enterprises in Hong Kong and other cities in the GBA currently interested in offering internship schemes and the internship positions involved respectively.

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 34)

Reply:

Through collaboration with the industry and financial regulators, we have introduced a number of initiatives to nurture financial technology (Fintech) talents, including 2 rounds of Financial Practitioners Fintech Training Programme launched in 2020 and 2022, as well as the development of the Fintech Qualification Framework, so as to promote the professional development of Fintech talents and expand the Fintech talent pool in Hong Kong. The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus helping them acquire early knowledge in pursuing a career in Fintech.

We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The internship scheme will provide more than 150 internship in Hong Kong and the GBA. The Financial Services Branch will partner with Fintech enterprises of the 2 places as well as local and GBA institutions which offer programmes in Fintech-related disciplines to work out the implementation details. Specific internship placement arrangement will be announced in due course.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)081

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2550)

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:

To encourage employers to continue to hire mature employees, the tax deduction for the Mandatory Provident Fund (MPF) voluntary contributions made by employers for their employees aged 65 or above will be increased from the current 100% to 200% in respect of such expenditure. In this connection, would the Government inform this Committee of the following:

1. the number, gender, age and occupation profile of employees aged 65 or above in Hong Kong making tax deductible voluntary MPF contributions in the past 3 years;
2. the estimated number of participants and effectiveness of the scheme and the expenditure involved (such as administrative costs and investment management fees) in the future; and
3. in view of the risks mature employees have to bear when making fund choices, will the Government increase the relevant publicity expenses to assist them in making evaluation?

Asked by: Hon LAM So-wai (LegCo internal reference no.: 5)

Reply:

1. According to figures provided by Mandatory Provident Fund (MPF) trustees to the Mandatory Provident Fund Schemes Authority (MPFA), it is estimated that there were about 21 400 employees aged 65 or above who received voluntary MPF contributions from their employers within 2022. Of these employees, about 14 900 were aged 65 to 69, and about 6 600 were aged 70 or above. The MPFA does not have information on the gender and occupation of these employees.

2. Currently, besides the 5% mandatory MPF contributions as required by law, employers may make additional voluntary contributions for employees to enhance their retirement

protection. Employers can claim tax deduction for mandatory/voluntary MPF contributions they made for their employees. The tax deduction amount equals to 100% of the relevant expenditure, up to 15% of the total emoluments of the employees concerned.

As there are no requirements for the employers to provide information on the number, age and emoluments of employees, as well as amount of mandatory/voluntary MPF contributions made by the employers and respective percentage to the emoluments when assessing the employers' profits tax liabilities, we are unable to estimate the increase in number of employers making additional contributions or the tax revenue forgone at this stage concerning the proposed increase in tax deduction for employers' voluntary MPF contributions for employees aged 65 or above. In drawing up details of the proposed tax incentive, we will consider collecting detailed information on employers' MPF contributions for their employees, so as to ensure effective implementation of the initiative and facilitate analysis at different levels.

Overall speaking, the Government expects that the proposed tax initiative would help provide more incentive for employers to make voluntary MPF contributions for their employees aged 65 or above, thereby encouraging more employees to consider staying in the labour force after reaching 65 and increasing their retirement savings, with a view to strengthening the retirement protection function of the MPF System.

The MPF trustees will invest the voluntary MPF contributions made by employers for their employees into specified MPF funds based on the choices made by scheme members. The level of fund expenses (including administration and investment management fees) of the MPF investment depends on the fund choices of scheme members.

3. There are different types of funds under the MPF System available for scheme members' selection in accordance with their risk appetite, investment objective, personal circumstances and other factors. Scheme members may visit the MPFA's "MPF Fund Platform" or refer to the Annual Benefit Statement/Fund Fact Sheet provided by trustees to compare the fee level and investment performance of different funds. The MPFA has also been offering advices on fund selection and investment risk management to scheme members of different ages and life stages through various means and publicity channels.

Among others, the Default Investment Strategy (DIS) introduced in April 2017 comprises the "Age 65 Plus Funds" which, by virtue of their diversified investment approach and fee caps, are suitable for scheme members who do not have the time and investment knowledge to manage their MPF. In addition, in April 2020, the MPFA issued "the Principles for Developing Retirement Solutions" to drive the MPF industry to develop retirement solutions meeting the needs of scheme members during the accumulation and post-retirement phases. 4 retirement solutions have been launched so far.

In a bid to continuously enhance the operation of MPF schemes, the Government has instructed the Hong Kong Monetary Authority (HKMA) and the MPFA to look into proposals to further address society's aspirations for MPF funds that could offer stable returns at low fees. As an initial step, the Government plans to earmark a certain proportion of the future issuances of Government institutional green bonds and infrastructure bonds for priority investment by MPF funds. The HKMA and the MPFA are making preparation for the implementation of these initiatives.

The MPFA will continue to organize educational campaigns suitable for scheme members of all ages and backgrounds (including mature scheme members) to deepen their understanding of MPF investment.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)082

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0689)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(-) Not Specified
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Association of South East Asian Nations (ASEAN) is Hong Kong's second largest trading partner after our country. It is necessary for the Government of the Hong Kong Special Administrative Region (HKSAR) to proactively develop its relationship with ASEAN. Please set out the number of ASEAN companies currently listed in Hong Kong. What plans does the HKSAR Government have in 2023-24 to promote Hong Kong's financial market to enterprises of ASEAN Region and invite them to settle in Hong Kong and raise funds through listing? What are the details of such plans, and the manpower and expenditure involved? Amid concerns that Hong Kong has failed to meet the needs of the ASEAN Region in terms of laws, regulations and listing requirements, resulting in outflow of listing and fund-raising opportunities to other regions, does the Government have any plan to review the laws and regulations of Hong Kong for the purpose of facilitating the listing of ASEAN Region enterprises in Hong Kong?

Asked by: Hon LEE Wai-king, Starry (LegCo internal reference no.: 17)

Reply:

As at end-January 2023, 107 companies from the member states of the Association of Southeast Asian Nations (ASEAN) were listed in Hong Kong with a total market capitalisation of about $136 billion.

The Government has been actively conducting overseas promotion of the unique advantages of Hong Kong's capital market, with a view to attracting overseas enterprises from different places with diversified backgrounds to list and raise funds in Hong Kong. In 2023, the Government plans to visit ASEAN economies and attend international conferences (including meetings organised by the Asian Development Bank) to showcase to attendees and local officials the latest developments and opportunities of Hong Kong's financial market, and promote strengthening collaboration in various financial areas. The work involved will be absorbed by existing resources and manpower, and there is no itemised breakdown of expenditure.

In addition, the Hong Kong Exchanges and Clearing Limited (HKEX) will, through its Singapore office and visits to ASEAN economies, conduct promotion activities to attract more ASEAN enterprises to list in Hong Kong. To facilitate overseas issuers (including ASEAN enterprises) to list in Hong Kong, HKEX already implemented a series of enhancement reforms in January 2022, including providing greater flexibility for issuers seeking dual-primary listings, and streamlining the relatively complex and fragmented listing requirements for overseas issuers into a set of core shareholder protection standards applicable to listed companies from different places. The measures concerned are conducive to enhancing the competitiveness of Hong Kong's fundraising platform, and attracting quality ASEAN enterprises to list in Hong Kong. Meanwhile, under active collaborative efforts of the Mainland authorities, the Government and financial regulators, eligible stocks of foreign companies primary-listed in Hong Kong will be included under Southbound trading of Stock Connect, enabling foreign enterprises to access Mainland capital through the Hong Kong market, thereby enhancing the attractiveness of Hong Kong's listing platform. The first batch of foreign enterprises included was announced on 3 March 2023.

The Government and HKEX will continue to enrich the listing regime with a view to strengthening its vibrancy and appeal to overseas issuers (including ASEAN enterprises).

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)083

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0697)

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 recent mixed issuance of green bonds and blue bonds by Mainland local governments is a very innovative type of bond issuance in the market and has helped to promote the development of the offshore RMB bond market and the internationalisation of RMB. What plans do the authorities have in attracting more Mainland municipal governments of the Greater Bay Area (GBA) cities to issue green bonds in Hong Kong, facilitating the GBA in issuing green bonds with medium to long tenor, and assisting in the development of harmonised green finance standards for the GBA?

Asked by: Hon LEE Wai-king, Starry (LegCo internal reference no.: 26)

Reply:

With the staunch support of our country and the proactive efforts of the Hong Kong Special Administrative Region Government, Hong Kong has developed into an international bond centre and a green and sustainable finance hub in Asia. The Shenzhen Municipal People's Government (Shenzhen Government) issued RMB5 billion of offshore Renminbi (RMB) municipal government bonds in Hong Kong in 2021, which was the first time that a Mainland municipal government issued offshore bonds. In 2022, the People's Government of Hainan Province issued its first offshore RMB bonds in Hong Kong, and the Shenzhen Government issued bonds in Hong Kong for the second time. Bond types of the aforementioned issuances included green bonds, blue bonds and sustainable bonds, further enriching the range of RMB financial products available in the Hong Kong market and promoting RMB internationalisation while testifying to the strengths of Hong Kong as a green finance platform.

We are committed to facilitating more Mainland entities (including the Mainland local governments in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area)) to issue offshore bonds in Hong Kong. Specific measures are set out below.

(1) Setting market benchmarks

Under the Government Green Bond Programme (GGBP) as at February 2023, we successfully issued green bonds totalling close to US$16 billion equivalent, including offshore RMB green bonds totalling RMB15 billion, setting important benchmarks for potential issuers in the region. As stated in the 2023-24 Budget, we plan to issue green bonds and infrastructure bonds worth approximately HK$65 billion in total annually within the 5 years from 2023-24, and will further expand the scope of the GGBP to cover sustainable finance projects.

(2) Enhancing the relevant policy support measures

In accordance with the Exemption from Profits Tax (Shenzhen Municipal People's Government Debt Instrument) Order (Cap. 112DP) effective since March 2022, the interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Municipal People's Government is exempted from the payment of profits tax. To support and facilitate more Mainland local governments to issue bonds in Hong Kong, we have made the Exemption from Profits Tax (Debt Instrument Issued by Mainland Local People's Government at Any Level) Order to extend the coverage of the profits tax exemption to the debt instruments issued in Hong Kong by all Mainland local people's governments at any level. This Order has come into operation from 31 March 2023.

The Hong Kong Monetary Authority has also since 2021 expanded the list of eligible collateral for the RMB Liquidity Facility to include RMB, USD and Euro denominated debt securities issued in offshore markets by the Mainland local people's governments at any level.

On green finance standards, following the publication of the updated Common Ground Taxonomy (CGT) report by the International Platform on Sustainable Finance in June 2022, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) formed by relevant Government Bureaux and financial regulators, with the aim of aligning with the CGT, will explore the development of a green classification framework for adoption in the local market with a view to facilitating easy navigation among the CGT, the Mainland's and the European Union's taxonomies. The Steering Group will formulate proposals on the structure and core elements of the framework for consultation.

(3) Stepping up promotion

We have been maintaining close liaison with the Mainland to actively promote Hong Kong's bond platform. An example is the collaboration with the Development and Reform Commission of Guangdong Province to jointly organise a seminar in September 2022 on examining the expansion of the offshore RMB bond market and leveraging bond financing to support the development of the Greater Bay Area, as well as exploring the future development direction of the offshore RMB bond market in Hong Kong. The seminar provided a good platform for around 100 representatives of government authorities, financial institutions, industry organisations, trades and relevant enterprises of the 2 places to share experiences of bond issuance in Hong Kong, and exchange views on the internationalisation of RMB and the development prospect of the Greater Bay Area.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)084

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0699)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

In his Policy Address delivered last October, the Chief Executive John Lee said that the Government will strive to establish insurance after-sales service centres in places such as Nansha and Qianhai in the near future, so as to provide support services for residents in the Greater Bay Area holding Hong Kong policies. What plans do the authorities have in facilitating the early establishment of insurance after-sales service centres by the Hong Kong insurance industry? Will the authorities explore the feasibility of cross-boundary sale of insurance products? What are the details?

Asked by: Hon LEE Wai-king, Starry (LegCo internal reference no.: 27)

Reply:

The Chief Executive's 2022 Policy Address highlighted measures for enhancing Hong Kong's competitiveness in financial services, so that we may continue to create a strong impetus for growth. In terms of promoting mutual market access, we are striving for the early establishment of insurance after-sales service centres with the participation of the Hong Kong insurance industry in places such as Nansha and Qianhai, with a view to providing comprehensive support services in various areas including enquiries, claims and renewal of policies to GBA residents who are holders of Hong Kong policies.

To this end, the Insurance Authority (IA) and Mainland regulators have reached in-principle consensus on the implementation proposal for establishing insurance after-sales service centres, and are deliberating specific details such as unified standards and requirements. We are also coordinating with the Hong Kong Federation of Insurers in parallel to set out execution plans on the operation of the service centre. We will continue to work towards the early roll-out of this measure which will be an important step towards mutual access of insurance markets in the GBA.

We believe that the experience gained from implementing the after-sales service centre initiative, as well as administering the Cross-boundary Wealth Management Connect, will provide useful reference for exploring cross-boundary sale of Hong Kong insurance products. We will work with the IA to explore feasible ways of enhance connectivity between insurance markets in the Mainland and Hong Kong, and maintain close communication with the insurance industry in the process.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)085

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0899)

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 85 of the Budget Speech that the Government will continue to explore with the Mainland various proposals on expansion of mutual market access and enhancement arrangements, such as enhancing the Cross-boundary Wealth Management Connect Scheme (the WMC) in the Guangdong-Hong Kong-Macao Greater Bay Area, the Bond Connect, as well as further expanding the scope of eligible securities under the Stock Connect. In this connection, please inform this Committee of:

1. the effectiveness of the the WMC over the past year, the average daily turnover of each participating bank and of each product, and the utilisation of other services;
2. whether non-bank financial intermediaries can participate in the the WMC and the types of investment products can be increased this year; if yes, the timetable, and if no, the reasons.

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

Reply:

Cross-boundary Wealth Management Connect (WMC) in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) provides GBA residents with a formal, direct and convenient channel for cross-boundary investment in diverse wealth management products and marks a milestone in the financial development of the GBA. The WMC creates new business opportunities for the local wealth management industry and benefits the entire financial industry value chain in Hong Kong. International financial institutions have a greater incentive to allocate resources to Hong Kong for product development, product distribution, asset management and other businesses, so as to provide services for investors in GBA Mainland cities. The WMC also promotes the cross-boundary flow and use of the Renminbi (RMB) and reinforces Hong Kong's position as the global offshore RMB business hub.

The WMC has been growing steadily since its launch in September 2021. Currently, 24 eligible Hong Kong banks have commenced the WMC services with their respective Mainland partner banks. According to the statistics published by the People's Bank of China, as of 28 February 2023, over 43 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in the WMC and over 18 000 cross-boundary fund remittances amounting to over RMB 2.6 billion had been recorded. Mainland investment products held by Hong Kong and Macao investors under the WMC stood at around RMB 239 million, including RMB 171 million in wealth management products and RMB 68 million in funds. Investment products of Hong Kong and Macao held by Mainland investors under the WMC stood at around RMB 434 million, including RMB 18 million in funds, RMB 5 million in bonds and RMB 411 million in deposits. The aggregate quota usage under the Southbound Scheme and Northbound Scheme (covering Hong Kong and Macao) was over RMB 430 million and over RMB 270 million respectively (quota usage calculated on a net cross-boundary remittance basis). With the recent boundary re-opening between the Mainland and Hong Kong, and the gradual resumption of cross-boundary people flow, the demand for cross-boundary wealth management services is expected to increase.

The Government and relevant financial regulators have been closely monitoring the operation of the WMC. Taking into account actual operational experience and market feedback, and following the principle of "incremental approach with proper risk controls", we will continue the close liaison with the Mainland authorities and stakeholders to explore enhancement measures, including expanding the scope of participating institutions and eligible products. The enhancement measures will be introduced once they are ready.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)086

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2262)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

Under Matters Requiring Special Attention in 2023-24 of Head 148 – Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch), the Branch will oversee the operation of the Hong Kong Growth Portfolio (HKGP) and its transition to the new Hong Kong Investment Corporation (HKIC). In this connection, please inform this Committee of the following:

1. what are the current progress of establishing the HKIC and its target investment industries?
2. what is the current list of investment projects of the HKGP and how will the relevant projects transition to the HKIC?

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

Reply:

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The Corporation will manage the Hong Kong Growth Portfolio (HKGP), the Greater Bay Area Investment Fund and the Strategic Tech Fund established under the Future Fund, as well as the newly established Co-Investment Fund. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth, with a view to creating more quality career development opportunities for people and promoting the cooperation of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and fostering mutual development.

On 15 February 2023, the Government announced the membership of the Corporation's Board of Directors (Board). At the initial stage of the Corporation's operation, the Hong Kong Monetary Authority (HKMA) will render support on investment, logistics and operational matters. Relevant work would be absorbed by the existing manpower within the HKMA.

Prior to the establishment of the Corporation, eight general partners have been appointed for the HKGP, with investment in a wide spectrum of industries including technology, healthcare, logistics and supply chain management, business and financial services, consumer products, etc. The daily monitoring of the general partners has all along been conducted with the assistance of the HKMA. The Financial Services and the Treasury Bureau is liaising closely with the HKMA on the transitional arrangements for administrative matters of the HKGP. The existing investments under the HKGP will not be affected.

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Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)087

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2263)

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 paragraph 89 of the Budget Speech, the Hong Kong Exchanges and Clearing Limited (HKEX) will put forward specific reform recommendations on the Growth Enterprise Market (GEM) within this year after carefully considering the views of various market players on the financing needs of small and medium enterprises (SMEs) and start-ups, and consult stakeholders. In this connection, will the Government inform this Committee of the following:

1. Regarding the stimulation of trading in GEM and financing requirements for listing, will the HKEX consider reinstating the streamlined process for GEM Transfers to the Main Board and lowering the threshold on the relevant market value, with a view to enhancing the predictability of listing approval?

2. Will the Government consider expanding the position of GEM as a global exchange, so as to connect SMEs and start-ups around the world, including enterprises from the Greater Bay Area and Southeast Asia, to list in Hong Kong for financing?

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

Reply:

The Hong Kong Exchanges and Clearing Limited (HKEX) has been monitoring market conditions, and is cognisant of the issues of GEM as well as views on the financing needs of small and medium enterprises (SMEs) and start-ups conveyed by the Legislative Council and some market participants. To this end, HKEX has approached different stakeholders over the past year, and is carefully considering the market views received to take forward the review. The work concerned involves many aspects, such as identifying the source of potential issuers from different places, enhancing the listing process, reviewing the transfer mechanism, improving the liquidity of existing stocks, etc.

Meanwhile, HKEX will make reference to the experiences of similar markets in other places, including the development experiences of fundraising platforms for the SMEs and innovative enterprises in the Mainland. We hope the reform will better serve different types of enterprises and attract more issuers from different places including those from the Guangdong-Hong Kong-Macao Greater Bay Area and the Association of Southeast Asian Nations (ASEAN) economies to list and raise funds in Hong Kong, strengthening the overall competitiveness of Hong Kong as a premier global fundraising hub.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)088

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2264)

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 89 of the Budget Speech that the views of various market players on the financing needs of small and medium enterprises (SMEs) and start-ups will be carefully considered. In this connection, will the Government inform this Committee of the following:

1. whether the Government will, in reviewing the reform of the Growth Enterprise Market (GEM), consider introducing measures to stimulate the turnover of SMEs listed on the GEM and the Main Board at the same time, such as establishing a more vibrant secondary market trading system with higher liquidity, thereby attracting more enterprises to list in Hong Kong; and
2. the mechanism the Government has in place to ensure that SMEs are treated fairly in their listings, including avoiding excessively long time in vetting and approving the listings of SMEs?

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

Reply:

(1)

The Government strives to develop Hong Kong into a broader and deeper listing platform. With a view to comprehensively strengthening the competitiveness of Hong Kong as an all-rounded fundraising hub, the Financial Secretary has stated in the 2023-24 Budget that the Hong Kong Exchanges and Clearing Limited (HKEX) will put forward specific reform recommendations on GEM within this year after carefully considering the views of various market players on the financing needs of small and medium enterprises (SMEs) and start-ups. The Government has also asked HKEX to consider all the aspects comprehensively when reviewing relevant issues, including GEM's listing regime and the trading mechanism of the secondary market.

HKEX has been monitoring market conditions, and is cognisant of the issues of GEM as well as views on the financing needs of SMEs and start-ups conveyed by the Legislative Council and some market participants. To this end, HKEX has approached different stakeholders over the past year, and is carefully considering the market views received to take forward the review. The work concerned involves many aspects, such as identifying the source of potential issuers from different places, enhancing the listing process, reviewing the transfer mechanism, improving the liquidity of existing stocks, etc. In addition, HKEX will also study the feasibility of a series of proposals to enhance the trading mechanism of the Main Board, such as to review the Self-Trade Prevention function as well as the relevant restrictions, so as to facilitate transactions of investors and dovetail with the market trend, thereby comprehensively enhancing the vibrancy of the stock market.

(2)

Under the current listing regime, HKEX serves as the frontline regulator and approves listing applications in accordance with the Listing Rules. The Securities and Futures Commission (SFC) monitors HKEX's performance of its listing-related functions and responsibilities, as well as vets and intervenes in serious cases at an early stage according to its rights conferred by the Securities and Futures (Stock Market Listing) Rules and the Securities and Futures Ordinance. HKEX and the SFC will process different applications fairly in accordance with the relevant rules. From 2017 to 2022, the number of newly listed companies on Main Board and GEM by market capitalisation and their average processing time are tabled below[1]:

	Number of new listings	Average time from application submission to listing[2] (business days)	Average vetting time (business days)	
			Vetting by HKEX	Response by applicants
Main Board				
Market capitalisation of more than $1,250 million	388	137	53	75
Market capitalisation between $750 million and $1,250 million	60	167	64	84
Market capitalisation of less than $750 million	219	203	77	105
GEM[3]	180	172	65	72
Total[4]	**922**	**163**	**62**	**82**

The actual processing time for a listing application is subject to individual circumstances of the issuer.

Pursuant to the Securities and Futures Ordinance, the SFC has a statutory duty to supervise, monitor and regulate the activities carried on by the Stock Exchange of Hong Kong Limited (SEHK). It will conduct periodic audits or reviews of SEHK's performance in its regulation of listing-related matters, including to ensure that relevant applications would be handled fairly. The Government will continue to work with HKEX and the SFC to review the vetting mechanism for listing applications continuously and explore to further enhance the Listing Rules in balancing market development and regulatory needs.

[1] Based on the actual market capitalisation of issuers at the time of listing.
[2] Including vetting and post-clearance marketing as well as offering.
[3] The average market capitalisation of GEM issuers at the time of listing was about $280 million.
[4] Including listings by introduction, GEM transfers to the Main Board and very substantial acquisition deemed new listings.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)089

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2265)

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 90 of the Budget Speech that the Securities and Futures Commission would explore ways to further enhance the listing rules in order to strike a balance between market development and regulatory needs. In this connection, would the Government inform this Committee of the following:

1. Will the regulators consider not imposing excessive restrictions in the vetting and approval of listing applications from small and medium sized enterprises (SMEs)? Provided that the relevant listing requirements are met, such applications should be approved in order not to block the listing and financing avenues of SMEs and throttle their room for survival.

2. Owing to the epidemic in the past 3 years, some companies failed to meet the profit requirements for listing in individual years, even though they did meet the requirements in overall terms. Regarding the relevant listing requirements, will the regulators provide exemption or exercise discretion when handling applications from companies affected by the epidemic?

3. Will the regulators allow reasonable changes in the business of SMEs to be decided by their own shareholders through voting, instead of being subject to the decision or approval of the regulators alone?

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

Reply:

(1)

Under the current listing regime, the Hong Kong Exchanges and Clearing Limited (HKEX) serves as the frontline regulator and approves listing applications in accordance with the Listing Rules. The Securities and Futures Commission (SFC) monitors HKEX's performance of its listing-related functions and responsibilities, as well as vets and intervenes in serious cases at an early stage according to its rights conferred by the Securities and Futures (Stock Market Listing) Rules and the Securities and Futures Ordinance. HKEX and the SFC will process different applications fairly in accordance with the relevant rules. HKEX and the SFC will review the approval mechanism for listing applications continuously and explore to further enhance the Listing Rules in balancing market development and regulatory needs.

(2)

The Listing Rules stipulate that companies applying for listing should meet requirements such as minimum market capitalisation, profit, etc., which aim to ensure that they have a certain level of substantive business operations to support their fundraising application and sustainable development after listing. The arrangement provides a transparent and equitable approval mechanism to maintain the quality of listed issuers and protect the interest of the investing public. Currently, there are provisions in the Listing Rules that give HKEX discretionary power to consider varying or waiving relevant financial standard requirements. HKEX will handle relevant applications having regard to their individual circumstances.

(3)

The Listing Rules require listed issuers to carry out a business with a sufficient level of operations and have assets of sufficient value to support its operations. The requirement aims to ensure that an issuer has a concrete and feasible business plan as well as its scale and prospect could support their listing status, so as to provide appropriate protection for the investing public. HKEX has issued a guidance letter on the implementation of relevant provisions to issuers in 2019, which states that HKEX will fully consider various factors including business model, operating scale and track record, funding, size and diversity of customer base, etc., when assessing whether issuers comply with the relevant provisions. HKEX will also make reference to the practices and standards of the relevant industry, and will provide a remedial period and guidance for issuers for rectification. The arrangement aims to ensure that the individual circumstances of issuers and characteristics of their respective industries are fully taken into account to safeguard their proper interests. At the same time, it prevents speculative activities and market manipulation resulted from a small number of issuers with only very little or no substantial operations or businesses, which could damage investors' overall confidence in the market. We consider it necessary to maintain the relevant rule in ensuring market stability and protecting investors' interest, while reviewing market development needs continuously to progress with the times.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)090

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2266)

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 paragraph 68 of the Budget Speech, the Government will introduce a new Capital Investment Entrant Scheme (the Scheme) to further enrich the talent pool and attract more new capital to Hong Kong. Under the scheme, applicants shall make investment at a certain amount in the local asset market, excluding property. In this regard, please advise this Committee on the following:

1. What are the investment thresholds (amounts) that the Government will adopt when formulating the Scheme? Will the Government consider the investment immigration thresholds of neighbouring regions such as Singapore and Australia? Are there any other measures that are worthy of consideration?

2. Besides the restriction on property investment, will the Scheme impose certain investment amount requirements in respect of financial products such as stocks, bonds, funds and gold?

3. Is there any implementation timetable for the Scheme?

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

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)091

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2267)

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 pointed out in paragraph 96 of the Budget Speech that the Government has introduced legislative amendments to provide profits tax exemption for qualifying transactions of family-owned investment holding vehicles managed by single family offices in Hong Kong. In this connection, will the Government inform this Committee of the following:

1. whether the Government will, by making reference to the practice of Singapore, enhance the flexibility of the tax concession policy through means such as setting a two-tier minimum asset threshold requirement and broadening the range of eligible assets; and
2. whether the Government will consider removing the 5% threshold for incidental transactions (if not, whether it will adjust upwards the proportion concerned), so as to attract more family offices which are mainly concerned with incomes derived from dividends and bond interests to establish their presence in Hong Kong? If neither of these 2 will be considered, what are the reasons?

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

Reply:

The Government introduced the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (the Bill) into the Legislative Council (LegCo) in December 2022, which proposes to provide profits tax exemption for family-owned investment holding vehicles (FIHVs) managed by single family offices (SFOs) in Hong Kong. Upon LegCo's passage of the Bill, the tax exemption will be applicable to any years of assessment commencing on or after 1 April 2022.

Under the Bill, the aggregate value of assets specified under Schedule 16C to the Inland Revenue Ordinance (specified assets) managed by an eligible SFO for the FIHV(s) shall be at least HK$240 million. This is based on the practice that family offices generally assume the management of the wealth of ultra-high-net-worth individuals (usually defined as people with a net worth of at least US$30 million (i.e. about HK$240 million) in investible assets). The Bill has provided flexibility in that when determining whether this minimum asset threshold is met, the Inland Revenue Department will consider the aggregated net asset value of the specified assets of all FIHVs managed by an eligible SFO. If the threshold is met in any 1 of the past 3 years of assessment, the relevant FIHVs will be eligible for profits tax exemption.

Qualifying transactions under the Bill include transactions in specified assets, such as securities, futures contracts, foreign exchange contracts, certificates of deposit, derivative products, etc. An FIHV's income arising from holding specified assets, if not exceeding 5% of the total trading receipts from qualifying transactions and incidental transactions, can be treated as incidental transactions eligible for tax concession. This arrangement also applies under the existing unified tax exemption regime for funds.

The Government has been maintaining communication with the industry and listening to their views on eligible asset categories and related issues. The Government will review the existing tax concession measures applicable to funds and study the industry's feedback in detail for considering how to facilitate the industry to benefit from the tax concession.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)092

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2268)

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 pointed out in paragraph 97 of the Budget Speech that the Government will allocate $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong. In this connection, please inform this Committee of the following:

1. In respect of strengthening external publicity, what are the plans of InvestHK in attracting more family offices to Hong Kong in the next 3 years?
2. How will InvestHK have inter-departmental collaboration with other government departments to provide more comprehensive one-stop facilitation services for family offices, which include, among others, right of abode and visa applications, listing and associated services, as well as children's education arrangements?

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

Reply:

In June 2021, with funding support of the Financial Services and the Treasury Bureau, Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) to provide one-stop support services to family offices and ultra-high-net-worth individuals interested in developing their foothold in Hong Kong. To facilitate the set-up and expansion of family offices, the dedicated team collaborates with relevant organisations (including the Financial Services Development Council and the Hong Kong Trade Development Council) in carrying out promotional activities; liaises with the Immigration Department to assist family offices in handling visa related matters; refers cases of family offices interested in listing in Hong Kong to the Hong Kong Exchanges and Clearing Limited; and where necessary issues support letters to international schools in Hong Kong to facilitate admission applications of family members.

As stated in the 2023-24 Budget, the Government will allocate $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong. With the return to normalcy, the dedicated team plans to roll out diversified and face-to-face interactive events (such as seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2023 to promote to target clients Hong Kong's competitiveness as a family office hub. The dedicated team has already established offices in Brussels and Beijing, and plans to deploy manpower in the Mainland, South East Asia and the Middle East to focus the promotion to target clients of Hong Kong's competitiveness as a family office hub. The dedicated team, in collaboration with its investment promotion units or its consultants based in the Economic and Trade Offices around the world, will also conduct roundtable forums with the theme of family offices in major cities.

As a key component of the Government's promotion strategy, the Wealth for Good in Hong Kong Summit held on 24 March 2023 is an international top-level exclusive event for global family offices and asset owners. It showcases Hong Kong's unique advantages as an international asset and wealth management centre, introduce opportunities for global family offices for wealth allocation, thereby fostering the long-term development of family office business. Through the Summit, the Government will establish direct connection with decision makers of global family offices and assist them in exploring opportunities and implementing development plans in Hong Kong.

- End -

<u>Examination of Estimates of Expenditure 2023-24</u>

Reply Serial No.

FSTB(FS)093

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2269)

<u>Head</u>:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
<u>Subhead (No. & title)</u>:	(-) Not Specified
<u>Programme</u>:	(1) Financial Services
<u>Controlling Officer</u>:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
<u>Director of Bureau</u>:	Secretary for Financial Services and the Treasury

<u>Question</u>:

It is mentioned in paragraph 57 of the Budget Speech that the Government will establish and lead a task force on virtual assets (VA) development to promote the sustainable development of the sector. In this connection, please advise this Committee on the following:

1. To help and attract more local and overseas VA exchanges to apply for relevant licences from the Securities and Futures Commission, will the Government enhance collaboration and communication with the regulatory authorities to proactively resolve problems faced by licence applicants such as providing relevant guidelines to the banks to handle problems like account opening for licence applicants?
2. Will the Government have plans to introduce more VA-related ETFs and investment products, and allow retail investors to participate?

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

<u>Reply</u>:

In October 2022, the Government issued a Policy Statement on Development of Virtual Assets (VA) in Hong Kong (Policy Statement), setting out the vision and policy direction of the Government in this regard. The Policy Statement has been well received by the industry.

The Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022, which introduces a licensing regime for VA service providers. In February 2023, the Securities and Futures Commission launched a public consultation on the proposed regulatory requirements for the licensing regime. The licensing regime will commence operation in June 2023.

We are committed to establishing a facilitating environment, with timely and necessary guardrails to mitigate actual and potential risks put in place in accordance with international standards. The Task Force on VA Development to be chaired by the Financial Secretary will examine the market situation, development opportunities, regulatory needs and ecosystem of the VA sector in Hong Kong, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector.

The response to the 2 parts of the question is as follows.

(1)

In January 2022, the Hong Kong Monetary Authority (HKMA) issued a circular “Regulatory approaches to Authorized Institutions’ interface with Virtual Assets and Virtual Asset Service Providers”, setting out the requirements that when establishing and maintaining business relationships (e.g. opening bank accounts) with VA service providers, banks should conduct appropriate assessments in line with the risk-based approach and international standards while ensuring that customers are treated fairly. Banks should maintain good communication with customers throughout the processes in a transparent, reasonable and efficient manner. Access to banking services by legitimate businesses should also not be unreasonably impeded and an “one-size-fits-all” approach should not be adopted in refusing applications for opening bank accounts.

The dedicated team of the HKMA will continue to communicate with and offer assistance to VA service providers (including licence applicants) as necessary, collate their feedback, and follow up with relevant banks on individual cases as appropriate. The HKMA will facilitate strengthened exchanges of views among the banking industry, VA service providers and relevant stakeholders on matters of bank accounts opening and maintenance.

The HKMA and SFC will continue to maintain close liaison concerning the development of the VA sector.

(2)

In October 2022, the SFC published a circular on virtual asset futures exchange traded funds (VA Futures ETFs), allowing SFC-licensed and registered intermediaries to offer trading of eligible VA Futures ETFs to retail investors in Hong Kong. Requirements on VA Futures ETFs seeking the SFC’s authorisation for public offering in Hong Kong are also set out in the circular. As of end-February 2023, 3 VA Futures ETFs were listed and traded on the Hong Kong Stock Exchange.

Meanwhile, in February 2023, the SFC launched a public consultation on the proposed regulatory requirements for the licensing regime for VA service providers and it also seeks views on whether to allow licensees to provide services to retail investors.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)094

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2270)

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 57 of the Budget Speech that virtual assets (VA) are an integral part of a vibrant Web3 ecosystem, and since the policy statement on VA was issued in October last year, a large number of innovative enterprises with potential have been considering setting up business in Hong Kong. In this regard, please advise this Committee on the following:

1. What complementary measures does the Government have to support the development of the Web3 ecosystem? Are there any development indicators and blueprint for the Web3 ecosystem to build up?
2. To promote the application of VA technology in the financial market, does the Government have any plan to press ahead with such innovative financial projects as non-fungible tokens (NFT), e-HKD and digital Renminbi? Is there a concrete timetable?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 11)

Reply:

In October 2022, the Government issued a Policy Statement on Development of Virtual Assets (VA) in Hong Kong (Policy Statement), setting out the vision and policy direction of the Government in this regard. The Policy Statement has been well received by the industry.

The Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022, which introduces a licensing regime for VA service providers. In February 2023, the Securities and Futures Commission launched a public consultation on the proposed regulatory requirements for the licensing regime. The licensing regime will commence operation in June 2023.

We are committed to establishing a facilitating environment, with timely and necessary guardrails to mitigate actual and potential risks put in place in accordance with international standards. The Task Force on VA Development to be chaired by the Financial Secretary will examine the market situation, development opportunities, regulatory needs and ecosystem of the VA sector in Hong Kong, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector.

The response to the 2 parts of the question is as follows.

(1)

Currently, Cyberport's community has over 1 900 start-ups and technology companies, including a number of Web3-related technology companies in areas including financial technology, smart living and digital entertainment. Noting the development trend of Web3, Cyberport established the Web3 Hub@Cyberport in early 2023. We will allocate $50 million to expedite the Web3 ecosystem development by, among other things, organising major international seminars, to enable the industry and enterprises to better grasp frontier development and to promote cross-sectoral business co-operation, as well as arranging a wide array of workshops for young people. Cyberport is finalising the relevant details.

(2)

On application of VA technology in the financial market, we made a pilot issuance of tokenised green bonds under the Government Green Bond Programme in February 2023. The Hong Kong Monetary Authority (HKMA) announced in September 2022 the policy document on e-HKD, suggesting that it will study the technology and legal foundations as well as use cases for e-HKD, for preparation for the possible implementation of e-HKD in future. The HKMA is conducting the relevant study. In addition, the HKMA and the People's Bank of China are conducting technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, which will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in the Mainland and Hong Kong, and help promote interconnection between the 2 places.

- End -

Reply Serial No.

FSTB(FS)095

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2271)

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 85 of the Budget Speech that relevant institutions in the two places have been collaborating closely to expand the mutual market access schemes, with a view to implementing the related measures promptly. In this connection, please advise this Committee on the following:

1. apart from the securities industry, what plans does the Government have to facilitate futures, commodities and precious metals trading firms and asset management companies to enter the Mainland (especially the Greater Bay Area) market for development?
2. does the Government have any plans to further expand the mutual market access schemes, such as introducing the Futures Connect, Commodity Connect and IPO Connect, etc. to enable more players of the financial services sector to participate in the Mainland market? If yes, what are the details?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 12)

Reply:

(1)

We attach great importance to the enormous opportunities brought by the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development to Hong Kong's financial and professional services sectors. The Central People's Government and relevant authorities have promulgated a number of important documents to deepen financial cooperation in the GBA, which are conducive to the sustainable development of Hong Kong's financial sector. Among others, the "Outline Development Plan for the GBA" proposes to leverage Hong Kong's leading position in the financial services sector, consolidate and enhance Hong Kong's status as an international financial centre, and progressively promote mutual financial market access to develop the GBA into an international financial hub. The "Opinion on Providing Financial Support for the Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" further sets out 30 measures on financial reform and innovation, which include deepening the mutual access between the financial markets of Shenzhen and Hong Kong, underscoring Qianhai's role as a pioneer in cross-boundary financial areas, supporting cooperation between the financial institutions of Shenzhen and Hong Kong, and expanding the business scope of Hong Kong's financial institutions in Qianhai. These measures benefit banks, securities firms, insurance institutions, asset management institutions, etc., bringing new opportunities to the financial institutions in Hong Kong.

On 21 March 2023, the HKSAR Government and the People's Government of Guangdong Province held the 23rd Plenary of the Hong Kong/Guangdong Co-operation Joint Conference in Hong Kong to jointly take forward further cooperation in various areas, including continuing to join hands in contributing to the high-quality development of the GBA, deepening the reform of the country's financial markets, and promoting mutual access between the financial markets of the 2 places. To promote deepened financial co-operation between both places, the 2 places signed the "Agreement on Enhancing Hong Kong-Guangdong Financial Co-operation" after the meeting that day.

Under the "dual circulation" new development strategy of our country, by leveraging the unique advantages of Hong Kong's financial system under "One Country, Two Systems" and the enormous opportunities presented by the GBA development and the Belt and Road Initiative, we and the financial regulators are committed to enhancing Hong Kong's competitiveness in financial services and strengthening mutual capital market access between the Mainland and Hong Kong, with a view to contributing to the high-quality economic development and opening up of the country, as well as opening up a broader market for the financial sector. In addition to the series of measures in expanding mutual access between the capital markets in the 2 places, key work progress and work plan in facilitating the financial industry to enter the Mainland market include the following –

(i) <u>Asset and wealth management</u>: Cross-boundary Wealth Management Connect (WMC) was formally launched in September 2021, enabling residents in Hong Kong, Macao and nine cities in the Guangdong Province to carry out cross-boundary investment in wealth management products distributed by banks in the GBA, thereby opening up a new market with business opportunities for the financial industry in Hong Kong. As of 28 February 2023, over 43 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in the WMC and over 18 000 cross-boundary fund remittances amounting to over RMB2.6 billion had been recorded. We and relevant financial regulators have been closely monitoring the operation of the WMC. Taking into account actual operational experience and market feedback, and following the principle of "incremental approach with proper risk controls", we will continue the close liaison with the Mainland authorities and stakeholders to explore enhancement measures, including expanding the scope of participating institutions and eligible products. The enhancement measures will be introduced once they are ready.

The HKSAR Government and the Shenzhen Qianhai Authority jointly promulgated the 18 Measures for Supporting the Linked Development of Shenzhen and Hong Kong Venture Capital Investments in Qianhai in September 2022 with a view to providing facilitation and preferential policies for Hong Kong's private equity industry. Measures include supporting eligible Hong Kong limited partnership funds to set up qualified investment entities in Qianhai to commence onshore investment; enhancing the entry threshold and application procedures of Qianhai Qualified Foreign Limited Partnerships (QFLPs), expanding the investment scope, and reducing the processing time. Going forward, we will explore with Qianhai more opportunities for financial development, such that the two cities can serve as dual engines in the GBA.

(ii) Risk management and the development of the insurance industry: To enhance mutual access of insurance markets in the GBA, we are striving for the establishment of insurance after-sales service centres by the Hong Kong insurance industry in places such as Nansha and Qianhai, with a view to providing GBA residents who are holders of Hong Kong policies with support such as enquiries, claims and renewal of policies. Besides, we will implement the "unilateral recognition" policy for cross-boundary motor insurance to tie in with the Quota-free Scheme for Hong Kong Private Cars Travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge, so that owners of relevant Hong Kong private vehicles can arrange more conveniently the necessary insurance coverage for driving in the Mainland.

(iii) Financial technology (Fintech): Hong Kong has established a one-stop platform with the Mainland for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech initiatives, speeding up the launch of products and reducing development costs. The initiatives concerned include cross-boundary account enquiry service, cross-boundary remittance automatic add value application, cross-boundary remote account opening services and services related to the WMC. In addition, the Hong Kong Monetary Authority and the People's Bank of China are conducting technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, which will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in Hong Kong and the Mainland, and help promote the interconnection between the 2 places.

(iv) Accounting: The Agreement Concerning Amendment to the CEPA Agreement on Trade in Services (Amendment Agreement) came into operation on 1 June 2020. The Amendment Agreement has removed the requirement that the right of control over partnership accounting firms should be held by Mainland residents. Accordingly, the requirements for Hong Kong certified public accountants (CPA) with Chinese CPA qualification to become partners of partnership accounting firms in the Mainland have been granted national treatment.

(2)

The report to the 20th National Congress of the Communist Party of China supports the steady expansion of institutional opening-up and deepening structural reform in the financial sector. As an international financial centre, Hong Kong possesses unique qualities including institutional advantages under "One Country, Two Systems", a fine tradition of rule of law, a market-oriented and global business environment, robust infrastructure support, internationally aligned regulatory regimes, a full range of financial products and free flow of information and capital. Hong Kong has been the testing ground and firewall at different stages of the financial reform of our country, contributing to the high-quality opening-up of the Mainland financial markets and accumulation of institutional, normative and operational experiences for their development and gradual integration with international standards.

Over the past few years, a number of mutual market access schemes in facilitating two-way cross-boundary investment have thrived and achieved various breakthroughs, including commencement of Southbound Trading of Bond Connect, launch of the offshore A-share index futures in Hong Kong, inclusion of Exchange-traded Funds under Stock Connect, etc. The average daily buy and sell trade values of Northbound Trading and Southbound Trading of Stock Connect have surged from RMB5.58 billion and HKD0.93 billion in 2014, to RMB97.43 billion and HKD43.71 billion respectively, representing an increase of 16 times and 46 times. They accounted for 6.2% and 15.6% of the trade values of securities markets in the 2 places in January 2023 respectively, up from 0.7% and 0.5% in 2014. The turnover of Northbound Trading of Bond Connect in 2022 also exceeded RMB8,000 billion, an increase of about 28 times from RMB276.0 billion in 2017.

We understand the industry's expectation for further expansion of the mutual market access schemes. To this end, we are closely collaborating with relevant Mainland authorities with a view to promptly implementing the measures supported by regulators in the 2 places. Notably, exchanges in Shanghai, Shenzhen and Hong Kong implemented the expansion of scope of eligible stocks under Stock Connect on 13 March 2023, including the addition of eligible stocks of foreign companies under Southbound Trading. Meanwhile, technical preparation work by relevant institutions in the 2 places for implementing Northbound Trading of Swap Connect is in full swing, so as to commence trading as soon as practicable.

Looking ahead, the Government and the regulators will continue to explore with relevant Mainland authorities various proposals on expansion of mutual market access and enhancement arrangements, with a view to furthering the interaction and integration of capital markets in the 2 places by leveraging the opportunities brought by the national strategies and development of the GBA. The measures will also inject new impetus into cross-board market liquidity and promote the development of the local financial services industry.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)096

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2272)

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 paragraph 94 of the Budget Speech, the Government will review the development potential and prospects of tokenised bond issuance in Hong Kong, and consider policy initiatives to promote the wider use of tokenisation technology in the local capital market. In this connection, will the Government inform this Committee of the following:

1. What are the differences in costs between tokenized bond issuance and general bond issuance in the past? Are there any significant differences?
2. Does the Government have any planned timing for retail investors to participate in the trading of tokenised bond? If not, what are the reasons?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 13)

Reply:

We successfully issued $800 million of a 1-year tokenised green bond under the Government Green Bond Programme in February 2023. This was the first tokenised green bond issued by a government globally. The tokenisation issuance was a pilot project with an issuance cost (comprising legal advisory fee, green certification fee and other service fees, etc.) broadly comparable to that of our previous conventional issuances. Bond tokenisation has the potential to enhance the efficiency and reduce the cost of bond issuance and settlement. It is still a nascent field for which trials will be required to test out various aspects of the whole process, including issuance, settlement, coupon payment, redemption, etc. Technical and non-technical issues will need to be addressed to realise the vision of a holistic adoption of the technology concerned in the bond market and reduction of the overall cost. The Hong Kong Monetary Authority plans to issue a report in the first half of 2023 to summarise the experience from this issuance and set out the next steps, including studying the feasibility of applying tokenisation technology in the government bond issuances in the future.

- End -

Reply Serial No.

FSTB(FS)097

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2273)

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 paragraph 94 of the Budget Speech, the Government will review the development potential and prospects of tokenised bond issuance in Hong Kong, and consider policy initiatives to promote the wider use of tokenisation technology in the local capital market. In this connection, will the Government inform this Committee of the following:

1. Will tokenisation technology be used in the Government's future issuance of the Silver Bond, infrastructure bond and green bond? If not, what are the reasons?
2. How will the Government encourage issuers to apply tokenisation technology in the capital market, such as providing financial or technological support?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 14)

Reply:

We successfully issued $800 million of a 1-year tokenised green bond under the Government Green Bond Programme in February 2023. Bond tokenisation has the potential to enhance the efficiency and reduce the cost of bond issuance and settlement. It is still a nascent field for which trials will be required to test out various aspects of the whole process, including issuance, settlement, coupon payment, redemption, etc. Technical and non-technical issues will need to be addressed to realise the vision of a holistic adoption of the technology concerned in the bond market. The Hong Kong Monetary Authority plans to issue a report in the first half of 2023 to summarise the experience and set out the next steps, including studying the feasibility of applying tokenisation technology in the government bond issuances in the future and ways to promote the further application of the technology in the capital market.

- End -

Examination of Estimates of Expenditure 2023-24 | Reply Serial No.

FSTB(FS)098

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2274)

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 paragraphs 205 and 217 of the Budget Speech that green bonds and infrastructure bonds worth approximately $65 billion in total are issued each year from 2023-24 to 2027-28, and the government debt-to-GDP ratio is also expected to remain below 10% by the end of the Medium Range Forecast period in 2027-28. In this connection, please inform this Committee of the following:

1. How will the Government ensure that the government debt-to-GDP ratio will not exceed 10%?
2. Whether the 10% limit will be adhered to, and what are the reasons for setting the limit at 10%?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 15)

Reply:

Through issuance of bonds, the Government has been fostering the development of our bond market and attaining other policy objectives such as financial inclusiveness and promoting green and sustainable development. The Financial Secretary (FS) has stated in the 2023-24 Budget that against the backdrop of a persistently low level of Government's outstanding debt, Hong Kong should make good use of the room for bond issuance to support and expedite economic development while creating capacity and investing for the future, with a view to enabling early sharing of the fruits of economic development with the public. The FS has also stated that infrastructure is one of the key areas for sustained economic development and improvement of people's quality of life, and proposed the setting up of an Infrastructure Bond Scheme to better manage the cashflow needs of major infrastructure projects as well as the further expansion of the scope of the Government Green Bond Programme to cover sustainable finance projects.

While making good use of the room for bond issuance, the FS has emphasised that the Government would continue to adhere to the fiscal discipline of keeping expenditure within the limits of revenue. The quoted percentage is not a rigid indicator of the upper limit of the size of bond issuance, but serves to indicate that the Government debt will remain at a relatively low level even if further bond issuance is made in future.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)099

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2275)

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 91 of the Budget Speech that the Hong Kong Exchanges and Clearing Limited (HKEX) will study a series of proposals on the optimisation of the trading mechanism, which include exploring arrangements for maintaining operation of the market under inclement weathers and reviewing the Self-Trade Prevention function as well as the relevant restrictions, so as to facilitate transactions of investors and dovetail with the market trend. In this connection, will the Government inform this Committee of the following:

1. whether the HKEX will adequately consult the industry and stakeholders before implementing the arrangements for maintaining operation of the market under inclement weathers; and whether the HKEX will ensure smooth functioning of cross-bank fund transfers, the clearing and settlement system, etc.?

2. whether the HKEX will allow ample time for the industry to get accustomed to and ready for such arrangements?

3. whether the HKEX has assessed the benefits to be brought to the financial market by maintaining operation of the market under inclement weathers?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 16)

Reply:

As an international financial centre, Hong Kong's securities market is deeply integrated with international markets and investors. In recent years, mutual access between the financial markets of Hong Kong and the Mainland has strengthened continuously with an increasing number of trading days. The Government has been working with the Hong Kong Exchanges and Clearing Limited (HKEX) in taking forward enhancements to the trading mechanism by considering factors beyond short-term gains, with a view to proactively aligning with international market practices and enhancing the overall market competitiveness in the long run. With the continuous technological advancement, financial institutions have improved their business continuity plans during the pandemic. We believe it is an appropriate time to explore whether market operations could be maintained under inclement weathers so as to respond to the trading needs of domestic and foreign investors.

We understand that implementation of relevant arrangements involves not only technical upgrade of trading and settlement systems, but also requires the cooperation of various stakeholders including intermediaries, banking system, index providers, etc. To this end, HKEX and financial regulators are exploring preliminary proposals for further engaging relevant stakeholders, including listening to and addressing the concerns of the financial services sector, and will put forward a detailed proposal for public consultation. If the market reaches a consensus on the proposal, HKEX will allow sufficient time for all parties to prepare for the implementation of the arrangements.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)100

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2276)

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 85 of the Budget Speech that the Government will contemplate the idea of providing more risk management products for investors outside of the Mainland, including to issue Mainland government bond futures in Hong Kong, thereby injecting new impetus into Hong Kong's capital market in a sustainable manner. In this connection, please inform this Committee of the following:

1. What is the progress of the work among the Hong Kong Exchanges and Clearing Limited, the Securities and Futures Commission, and the China Securities Regulatory Commission with regard to regulating the introduction of Mainland government bond futures?
2. Is there an implementation timetable?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 17)

Reply:

Relevant institutions in the 2 places have been collaborating closely to explore various proposals on expansion of mutual market access and enhancement arrangements, and providing more risk management products for investors outside of the Mainland, so as to enable them to manage risks relating to investment in Mainland assets more effectively. Notably, we are actively taking forward the issuance of Mainland government bond futures. The measure offers an effective risk management tool for investing in Mainland government bonds and facilitating offshore investors to hedge against changes in interest rates on Renminbi (RMB) assets, thereby driving the development of Hong Kong into a more comprehensive offshore RMB hub and risk management centre.

The Government, the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited have commenced discussions with the relevant Mainland institutions and are in parallel taking forward the technical preparations, with a view to promptly implementing the measure. The regulators will announce the relevant arrangements to the market in due course.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)101

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2277)

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 215 of the Budget Speech that the Government will further expand the scope of the Government Green Bond Programme (GGBP) to cover sustainable finance projects, and the Hong Kong Monetary Authority will announce the details in due course. In this connection, please inform this Committee of the following:

1. Please set out the amount of proceeds raised from the Green Bond, as well as the green projects and sustainable finance projects invested and expected to be invested by the Government in the past year and the coming year.
2. What mechanism is in place to avoid investing in "green washing" projects after the expansion of the GGBP?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 18)

Reply:

(1)

In 2022-23, we have raised a total proceeds of $65.992 billion through 3 offerings under the Government Green Bond Programme (GGBP) with breakdown as follows:

Issuance Date	Type of Bond	Proceeds raised (in billion Hong Kong dollar)
18 May 2022	Retail bonds	20
11 January 2023	Conventional institutional bonds	45.192
16 February 2023	Tokenised bonds	0.8

The $20 billion raised from the issuance of the aforementioned retail green bonds have been fully allocated to 12 green projects as listed below:

- O·PARK2
- GREEN@WAN CHAI
- Sports Centre, Community Hall and Football Pitches in Area 1, Tai Po
- Extension of Operating Theatre Block for Tuen Mun Hospital
- North District Community Health Centre Building
- Joint User Complex at Lei King Road
- New Acute Hospital at Kai Tak Development Area
- Enhancement Works for Kwun Tong Sewage Pumping Station
- Upgrading of Sewage Pumping Stations and Sewerage along Ting Kok Road
- Water Supply to New Housing Developments in Sheung Shui and Fanling
- Implementation of Water Intelligent Network
- In-situ Reprovisioning of Sha Tin Water Treatment Works (South Works)

The allocation work for the proceeds raised in the first quarter of 2023 is under way. We expect to announce the allocation result in the Green Bond Report 2023 to be released in August 2023.

We plan to issue government green bonds and infrastructure bonds worth approximately $65 billion in total in 2023-24. The preparatory work for issuance of green bonds, including identifying eligible green projects, is underway.

(2)

Since the establishment of the GGBP, the Steering Committee on the GGBP (the Steering Committee) chaired by the Financial Secretary has been overseeing and giving strategic directions on the implementation and development of the GGBP. We also implement the GGBP in accordance with the principles set out in the Government's Green Bond Framework (the Framework) covering 4 aspects, namely "use of proceeds", "project evaluation and selection", "management of proceeds" and "reporting". The Framework has clearly defined nine eligible project categories. Projects recommended by Government bureaux and departments will be considered by the Steering Committee for approval as eligible green projects in accordance with the eligibility criteria set out in the "use of proceeds" section of the Framework. The Framework is aligned with international standards and practices in the green bond market (including the Green Bond Principles 2021 of the International Capital Market Association), and has been reviewed by Vigeo Eiris, an independent provider of environmental, social and governance research and services. We also obtain a green certification for each tranche of government green bonds from an independent and qualified third-party.

Going forward, we will continue to make reference to international standards and practices when formulating the details of the expansion of the GGBP, so as to set an example for the market and maintain a high level of confidence on the GGBP among investors.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)102

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2279)

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 paragraph 61 of the Budget Speech, the launch of Core Climate by the Hong Kong Exchanges and Clearing Limited last October for the trading of international voluntary carbon credits signifies a critical step forward in the development of carbon marketplace in Hong Kong, and HKD and RMB settlement is offered. In this regard, will the Government inform this Committee of the following:

1. What are the Government's plans to enhance the collaboration with the Guangzhou Emissions Exchange and the Guangzhou Futures Exchange?
2. With a view to promoting the diversified development of financial products in both places and enhancing market depth and breadth, will the Government consider incorporating carbon credits and carbon futures into the mutual market access mechanism?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 20)

Reply:

(1)

The Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding (MoU) with the Guangzhou Futures Exchange in August 2021 with a view to driving a green and low-carbon market in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and supporting sustainable development through the promotion of exchanges and cooperation in such areas as clearing, technology, marketing and investor education.

HKEX further signed a MoU with the Guangzhou-based China Emissions Exchange in March 2022 to explore cooperation opportunities in carbonfinance, including jointly exploring the development of a carbon centre in the GBA, and working together to share research and experience on carbon market financing and global carbon market standards, to assist in the internationalisation of the Mainland's carbon market.

HKEX subsequently launched a new international carbon marketplace Core Climate in October 2022, which is currently the only carbon marketplace that offers HKD and RMB settlement for the trading of international voluntary carbon credits.

We and HKEX will continue to work with stakeholders (including relevant Mainland authorities) to explore climate-related opportunities and support the development of the carbon ecosystem, including expanding Hong Kong's products and services suite and enhancing the trading mechanism and infrastructure as well as exploring standards development, with a view to building Hong Kong into a leading carbon trading hub.

(2)

The HKSAR Government and the regulators will continue to explore with the Mainland other proposals on expansion of mutual market access and enhancement arrangements, with a view to furthering the interaction and integration of capital markets in the 2 places. The discussion will cover relevant co-operation with the Mainland in carbon market. The relevant arrangements will be announced in due course.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)103

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2280)

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 61 of the Budget Speech that the launch of Core Climate by the Hong Kong Exchanges and Clearing Limited last October for the trading of international voluntary carbon credits signifies a critical step forward in the development of carbon marketplace in Hong Kong, and HKD and RMB settlement is also offered in Core Climate. In this connection, please inform this Committee of the following:

1. Whether the Government will consider utilising the existing financial infrastructures in Hong Kong to provide cross-border transactions, clearing and settlement and other services for carbon products?
2. What plans does the Government have to encourage the participation of financial industry and retail investors in Hong Kong in the trading of carbon products?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 21)

Reply:

Hong Kong's solid financial infrastructure facilitates the issuance of different categories of carbon finance products. At present, carbon finance products mainly include carbon futures Exchange Traded Fund (ETF) and voluntary carbon credits. The first carbon futures ETF was listed on the Hong Kong Exchanges and Clearing Limited (HKEX) in March 2022, which provides local and overseas investors with investment opportunities to track carbon futures indices.

HKEX subsequently launched a new international carbon marketplace Core Climate in October 2022, providing a platform for participants to source, hold, trade, settle and retire voluntary carbon credits. Core Climate has attracted corporate entities from a wide range of sectors in the Mainland, Hong Kong and overseas. It is also currently the only carbon marketplace that offers HKD and RMB settlement for the trading of international voluntary carbon credits.

Currently, carbon credits on Core Climate are verified against international standards. The ownership and transfer of these carbon credits are recorded at the relevant standard setting institution. The relevant transactions and settlements are not restricted by boundaries.

We and HKEX will continue to work with stakeholders in the financial industry to explore climate-related opportunities and support the development of the carbon ecosystem, including considering the participation of retail investors, exploring the establishment of designated cross-boundary funds flow channel, expanding Hong Kong's products and services suite, enhancing the trading mechanism and infrastructure as well as exploring standards development, with a view to building Hong Kong into a leading carbon trading hub.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)104

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2281)

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 set out under Matters Requiring Special Attention in 2023-24 for Head 148 - Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch), the Branch will oversee the operation of the Hong Kong Growth Portfolio and transition to the new Hong Kong Investment Corporation Limited. In this connection, would the Government advise this Committee of the following:

1. How does the Corporation set its investment targets; and what are its investment operations and approval mechanism?
2. Please list the Corporation's annual estimated operating expenses, amount of investment, and target rate of return.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 22)

Reply:

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The Corporation will manage the Hong Kong Growth Portfolio (HKGP), the Greater Bay Area Investment Fund and the Strategic Tech Fund established under the Future Fund, as well as the newly established Co-Investment Fund. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth, with a view to creating more quality career development opportunities for people and promoting the cooperation of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and fostering mutual development.

On 15 February 2023, the Government announced the membership of the Corporation's Board of Directors (Board). At the initial stage of the Corporation's operation, the Hong Kong Monetary Authority (HKMA) will render support on investment, logistics and operational matters. Relevant work would be absorbed by the existing manpower within the HKMA.

Prior to the establishment of the Corporation, 8 general partners have been appointed for the HKGP, with investment in a wide spectrum of industries including technology, healthcare, logistics and supply chain management, business and financial services, consumer products, etc. The daily monitoring of the general partners has all along been conducted with the assistance of the HKMA. The Financial Services and the Treasury Bureau is liaising closely with the HKMA on the transitional arrangements for administrative matters of the HKGP. The existing investments under the HKGP will not be affected.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)105

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2284)

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 135 of the Budget Speech that the Government will launch a Fintech internship scheme for post-secondary students, under which subsidies will be provided to participating students in Hong Kong and the Greater Bay Area. In this connection, will the Government inform this Committee of the following:

1. How many places are available under the internship scheme; how many Fintech enterprises are expected to participate in the scheme; and what is the amount of subsidy provided to post-secondary students?
2. Will the Government consider enhancing the contents in relation to the application of Fintech in the existing university programmes and vocational courses, so as to nurture more Fintech talents?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 26)

Reply:

(1)

Through collaboration with the industry and financial regulators, we have introduced a number of initiatives to nurture financial technology (Fintech) talents, including 2 rounds of Financial Practitioners Fintech Training Programme launched in 2020 and 2022, as well as the development of the Fintech Qualification Framework, so as to promote the professional development of Fintech talents and expand the Fintech talent pool in Hong Kong. The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech.

We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The scheme will provide more than 150 internship in Hong Kong and the GBA. The Financial Services and the Treasury Bureau will partner with Fintech enterprises of the 2 places and local and GBA institutions which offer programmes in Fintech-related disciplines to work out the implementation details. Specific internship placement arrangement will be announced in due course. We will also put in place an evaluation mechanism with the relevant tertiary institutions to review the implementation and effectiveness of the internship scheme.

(2)

At present, many local universities and the Vocational Training Council have launched Fintech-related Higher Diploma, Bachelor's and Master's degree programmes. The Government's "Study Subsidy Scheme for Designated Professions/Sectors" also covers designated self-financing undergraduate programmes relating to Fintech starting from the 2018/19 academic year, subsidising students to pursue these programmes. The University Grants Committee has since the 2020/21 academic year launched the "Targeted Taught Postgraduate Programmes Fellowships Scheme" on a pilot basis for 5 cohorts to provide fellowships to meritorious local students pursuing designated postgraduate programmes in priority areas conducive to the development of Hong Kong, including Fintech-related programmes.

- End -

Reply Serial No.

FSTB(FS)106

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2285)

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 paragraph 136 of the Budget Speech, the Government will extend the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector (the Pilot Programme) for 3 years to nurture more talents for the industry and enhance the professional competency of practitioners. In this connection, please inform this Committee of the following:

1. What was the outcome of the Pilot Programme in the past 3 years?
2. Will the Government consider regularising the Pilot Programme to cater for the future development needs of the asset and wealth management sector? If not, what are the reasons?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 27)

Reply:

In August 2016, the Government launched the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector (Pilot Programme) to provide subsidy for tertiary student internships and professional training for practitioners, and promote the employment opportunities and career prospects of the sectors through different channels.

In 2020-21 to 2022-23 (as of end-February 2023), for the insurance sector, the Pilot Programme provided about 240 internship positions to tertiary students and over 9 360 participants took part in subsidised training courses. For the asset and wealth management sector, over 400 tertiary students completed their internships, with about 2 060 applications for professional training course fee subsidy approved. Participants have provided very positive evaluation feedback, with most indicating that they have a better understanding of the sectors after completing the internships and plan to join the sectors upon graduation.

We have reviewed the effectiveness and operation of each initiative of the Pilot Programme, and taken into consideration the feedback from participants and suggestions from the sectors. As announced by the Financial Secretary in the 2023-24 Budget, the Pilot Programme will be extended for 3 years to nurture more talents for the sectors and enhance professional competency of practitioners. In the coming 3 years, we will focus on supporting student internships and professional training for industry practitioners and implement enhancements, including extending the duration and eligibility of internships, and increasing the quota for student internships and training for practitioners. We will continue to consider the views of the participants and sectors, and review the Pilot Programme as appropriate, in light of the ever evolving industry landscape.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)107

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2289)

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 paragraph 101 of the Budget Speech, the Commercial Data Interchange (CDI) is expected to be linked to the Consented Data Exchange Gateway developed by the Office of the Government Chief Information Officer at the end of this year, thus allowing financial institutions to obtain relevant data after receipt of their clients' authorisation, thereby enhancing the efficiency of providing financial services. In this connection, please inform this Committee of the following:

1. What are the Government's plans to expand the scope of application of the CDI in the Greater Bay Area, including studying the promotion of digital identity authentication and the Know-Your-Customer platform in the Greater Bay Area?
2. What are the Government's plans to strengthen co-operation and communication with the regulatory authorities in the Mainland, so as to expedite the promotion of sharing of business and financial data in the Greater Bay Area and facilitate the integration and synergistic development of the financial industry in the region?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 31)

Reply:

(1)

Launched in October 2022 as a local data infrastructure, the Commercial Data Interchange (CDI) currently focuses the development on use cases in the local context with domestic data sources being connected and expanded first, thereby providing better support to the small and medium enterprises in Hong Kong. The Hong Kong Monetary Authority will remain open-minded in exploring the feasibility of connecting the CDI with other suitable domestic or cross-boundary data platforms, with a view to expanding the use cases of the CDI.

(2)

Making good use of cross-boundary data is a key element in promoting the development of commercial and financial services related digital economy. The Digital Economy Development Committee (the Committee) established last year, chaired by the Financial Secretary, has started study work on setting directions, strategies and focus areas in developing digital economy. The Committee set up among others a sub-group on cross-boundary data collaboration in September 2022 which works with representatives and stakeholders from relevant sectors to look into ways that facilitate transfer of data locally and across the boundary. The sub-group is now collating the challenges encountered by the local enterprises and organisations in the course of data flow and considering feasible facilitation measures, with a view to making specific recommendations to the Government in 2023.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)108

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2290)

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:

Paragraph 217 of the Budget Speech mentions the annual issuance of green bonds and infrastructure bonds worth approximately $65 billion in total between 2022-23 and 2027-28, and that the government debt-to-GDP ratio is expected to remain below 10% by the end of the Medium Range Forecast period in 2027-28. In this regard, will the Government:

1. set out such information as the estimated expenditure and interest expenses of the bonds concerned for the coming 5 years; and
2. inform this Committee whether the estimated expenditure and interest expenses for the issuance of bonds will have a significant financial implications for the Government?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 32)

Reply:

Through issuance of bonds, the Government has been fostering the development of our bond market and attaining other policy objectives such as financial inclusiveness and promoting green and sustainable development. The Financial Secretary (FS) has stated in the 2023-24 Budget that Hong Kong should make good use of the room for bond issuance to support and expedite economic development, and proposed the setting up of an Infrastructure Bond Scheme (the Scheme), with the expectation of an annual issuance of green bonds and infrastructure bonds worth approximately $65 billion in total in the next 5 financial years. The Government will formulate the implementation details (including the borrowing ceiling, the infrastructure projects involved, per annum interest rate, tenor, currency, target investors, listing arrangement, etc.). The plan is to introduce the relevant proposals to the Legislative Council in 2023-24. The bond issuance expenses under the new Scheme will be subject to factors such as the actual issuance timing, issuance size, interest rate of the market, etc., at the time of issuance.

Bond issuance expenses (including interest) under the Government Green Bond Programme are paid from the Capital Works Reserve Fund. For 2023-24, the estimate is $4.493 billion. The bond issuance expenses beyond 2023-24 will be subject to factors such as the actual issuance timing, issuance size, interest rate of the market, etc., at the time of issuance.

While making good use of the room for bond issuance, the FS has emphasised that the Government will continue to adhere to the fiscal discipline of keeping expenditure within the limits of revenue. The Government will strive to keep the government debt-to-GDP ratio at a relatively low level, which is expected to remain below 10 percent by the end of the Medium Range Forecast period in 2027-28.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)109

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2291)

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 2023-24 under Head 148 – Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch), the Financial Services Development Council will promote Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaigns. In this connection, please inform this Committee of:

1. the initiatives, content and effectiveness of the relevant marketing campaigns for promoting financial services industry over the past year;
2. the marketing campaigns for promoting financial services industry that are expected to be organised in Hong Kong, in the Mainland and overseas in the coming year.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 33)

Reply:

In 2022-23, the Financial Services Development Council (FSDC) organised and participated in around 180 local and overseas marketing initiatives to promote Hong Kong's status as an international financial centre. These initiatives included the Asian Financial Forum, Hong Kong FinTech Week, London City Week, etc. In order to strengthen the connection between Hong Kong and global stakeholders, FSDC also carried out a series of overseas marketing events in 10 overseas locations to broaden its reach to hundreds of new international contacts, including international financial institutions and government bodies.

In 2023-24, FSDC will continue to organise industry exchange events to facilitate networking in the financial industry. It will collaborate with strategic partners, industry associations and government bodies to organise events, including the Asian Financial Forum, Hong Kong Fintech Week, Asia Summit on Global Health as well as the first forum to be co-organised with Global Impact Investing Network (GIIN) in Asia.

Following the full resumption of normal travel between the Mainland and Hong Kong, FSDC is planning to conduct duty visits to the Mainland with representatives from the industry in the second half of 2023-24 for promoting Hong Kong's financial services industry. It will also conduct one-on-one meetings and co-organise around 60 roundtables with overseas industry organisations, government bodies, etc., through visits to different cities, with a view to expanding its global network and establishing friendly relationships with senior executives and leaders in international financial markets. The initiatives aim at telling the good financial stories of Hong Kong, elucidating Hong Kong's institutional strengths as an international financial centre, and promoting Hong Kong's unique role and development prospect as a gateway, a springboard and an intermediary between the Mainland and the world.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)110

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2292)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

Under Head 148 – Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned in Matters Requiring Special Attention in 2023-24 that the Government will "promote the development of financial technologies in Hong Kong". In this connection, please inform this Committee of the following:

1. Over the past year, which of the projects among the Fintech-related initiatives were able to help the financial services sectors including securities, futures and virtual asset to develop with the use of Fintech?

2. Given that Fintech professional qualifications are currently only for the banking sector, when will the Government extend the development of recognised Fintech professional qualifications to other financial services sectors?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 34)

Reply:

(1)

The Government, through liaison with the industry and cooperation with the financial regulators, gauge the need of the financial technology (Fintech) sector and room for development in order to formulate corresponding support measures. We work to promote the development of Fintech in Hong Kong through enhancing financial infrastructure, building a more active Fintech ecosystem, nurturing talents, as well as strengthening connection and collaboration with the Mainland and overseas markets.

On securities and futures, the Securities and Futures Commission (SFC) has established a Fintech Contact Point to enhance communication with companies and persons involved in the development and application of Fintech who intend to conduct regulated activities in Hong Kong. The SFC also welcome discussion with companies which intend to provide their services through utilising Fintech, for example, facial recognition, artificial intelligence or blockchain.

In addition, a SFC Regulatory Sandbox (Sandbox) has been established to provide a confined regulatory environment for qualified companies to operate regulated activities under the Securities and Futures Ordinance before Fintech is applied to their business on a full scale. The Sandbox enables qualified companies, through close dialogue with and supervision by the SFC under the licensing regime, to effectively identify and address any risks or concerns relevant to their regulated activities.

On virtual assets, in October 2022, the Government issued a Policy Statement on Development of Virtual Assets (VA) in Hong Kong (Policy Statement), setting out the vision and policy direction of the Government in this regard. The Policy Statement has been well received by the industry. The Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022, which introduces a licensing regime for VA service providers. In February 2023, the Securities and Futures Commission launched a public consultation on the proposed regulatory requirements for the licensing regime. The licensing regime will commence operation in June 2023. On application of VA technology in the financial market, we made a pilot issuance of tokenised green bonds under the Government Green Bond Programme in February 2023.

We are committed to establishing a facilitating environment, with timely and necessary guardrails to mitigate actual and potential risks put in place in accordance with international standards. The Task Force on VA Development to be chaired by the Financial Secretary will examine the market situation, development opportunities, regulation needs and ecosystem of the VA sector in Hong Kong, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector.

(2)

On nurturing Fintech talents, we are actively developing professional qualifications recognised under the Qualifications Framework for Fintech practitioners. The first batch of Fintech professional qualifications for the banking sector was rolled out in September last year. Financial practitioners who have successfully attained the relevant qualifications could obtain reimbursement of the tuition fees. At the same time, we have commissioned consultancy study in the first quarter of this year to develop Fintech professional qualifications for the securities and insurance sectors. The study is expected to be completed by end of the year. With reference to the consultancy study results, we will develop an applicable Fintech Qualifications Framework for the securities and insurance practitioners in consultation with the industry sectors concerned.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)111

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2293)

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 216 of the Budget Speech that the Government proposes the setting up of an Infrastructure Bond Scheme to enable a better management of cashflow needs of major infrastructure projects. In this regard, please advise on the following:

1. How much of the proceeds from the issuance of the bonds are expected to be allocated annually to the projects of Lantau Tomorrow and Northern Metropolis?
2. How will the Government better manage the proceeds from bond issuance, in particular idle funds, to increase investment returns?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 35)

Reply:

Through issuance of bonds, the Government has been fostering the development of our bond market and attaining other policy objectives such as financial inclusiveness and promoting green and sustainable development. The Financial Secretary (FS) has stated in the 2023-24 Budget that Hong Kong should make good use of the room for bond issuance to support and expedite economic development while creating capacity and investing for the future, with a view to enabling early sharing of the fruits of economic development with the public. The FS has also stated that infrastructure is one of the key areas for sustained economic development and improvement of people's quality of life, and proposed the setting up of an Infrastructure Bond Scheme (the Scheme) to better manage the cashflow needs of major infrastructure projects.

The bond proceeds are expected to be deployed to infrastructure projects benefitting the community so as to meet the objective of the Scheme. For the infrastructure projects to be covered, the Scheme will not be linked to the project of Kau Yi Chau Artificial Islands as explained by the Financial Secretary previously. We foresee that suitable projects can be identified from the Public Works Programme for inclusion under the Scheme. The Government will formulate the implementation details (including the borrowing ceiling, the infrastructure projects involved, per annum interest rate, tenor, currency, target investors, listing arrangement, etc.). The plan is to introduce the relevant proposals to the Legislative Council in 2023-24.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)112

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2627)

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 under the Matters Requiring Special Attention in 2023-24 of Head 148 — Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will oversee the operation of the Hong Kong Growth Portfolio (HKGP) and transition to the new Hong Kong Investment Corporation. In this connection, will the Government inform this Committee:

1. of the investment performance of the HKGP in the past year and the investment distribution by industry; and
2. of the number of fund companies managing the HKGP, and whether there are key indicators to evaluate the investment performance of these management companies?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 23)

Reply:

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The Corporation will manage the Hong Kong Growth Portfolio (HKGP), the Greater Bay Area Investment Fund and the Strategic Tech Fund established under the Future Fund, as well as the newly established Co-Investment Fund. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth, with a view to creating more quality career development opportunities for people and promoting the cooperation of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and fostering mutual development.

On 15 February 2023, the Government announced the membership of the Corporation's Board of Directors (Board). At the initial stage of the Corporation's operation, the Hong Kong Monetary Authority (HKMA) will render support on investment, logistics and operational matters. Relevant work would be absorbed by the existing manpower within the HKMA.

Prior to the establishment of the Corporation, eight general partners have been appointed for the HKGP, with investment in a wide spectrum of industries including technology, healthcare, logistics and supply chain management, business and financial services, consumer products, etc. The daily monitoring of the general partners has all along been conducted with the assistance of the HKMA. The Financial Services and the Treasury Bureau is liaising closely with the HKMA on the transitional arrangements for administrative matters of the HKGP. The existing investments under the HKGP will not be affected.

Since private equity projects are long-term investments which would take time to realise return, the investment return of the HKGP would be appraised by the Corporation over a long-term horizon.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)113

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2664)

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 184 of the Budget Speech that the revenue from stamp duty of $67 billion in 2022-23 is lower than the original estimate by $46 billion and also far lower than that in the previous year, mainly because of the sluggish property and stock markets and the decreased volume of transactions. In this regard, please advise the Committee of the following:

1. What is the revenue from stamp duty on stock transactions in 2022-23? What is the change from that in the previous year?
2. Will the Government re-consider lowering the stamp duty on stock transactions to stimulate stock trading and market liquidity in Hong Kong, for it may instead generate additional revenue for the Government and strengthen the competitiveness of Hong Kong's stock market? If so, what is the implementation schedule? If not, what are the reasons?

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

Reply:

1. The revenue from stamp duty on stock transfers amounted to about $52 billion in 2022-23 Revised Estimates, recording a decrease of about $13.9 billion from $65.9 billion in 2021-22, due to a drop in the average daily turnover of Hong Kong stock market in 2022 as compared to that in 2021. While the average daily turnover in 2022 was generally lower than that in 2021 mainly owing to external factors, relevant turnover rose along with the rebound of Hong Kong stocks in December 2022, recording an increase of 15% compared to the same month in 2021.

2. The Government, together with financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX), has been promoting market development to boost the turnover

and enhance the competitiveness of the stock market. The measures implemented include expanding the mutual market access in stock markets, allowing new economy companies to list in Hong Kong, and facilitating the secondary listing and dual-primary listing for Greater China and overseas companies in Hong Kong, etc. HKEX launched the listing regime for specialist technology companies in March 2023 to expand the listing channel for issuers, and is carefully considering the market views on financing of small to medium sized enterprises and start-ups, with a view to formulating reform of GEM to provide a more effective fundraising platform for relevant companies. At the same time, HKEX is studying a series of proposals on the optimisation of the trading mechanism, including reviewing the Self-Trade Prevention function and relevant restrictions, so as to facilitate transactions of investors and dovetail with the market trend.

The Government will, as in the past, examine government revenue and tax items, and take all relevant factors into consideration. We will strike a balance between increasing government revenue and market development in considering the rate of stamp duty on stock transfers. Over the past few years, the Government has taken forward legislative amendments to exempt the stamp duty on stock transfers relating to trading of exchange-traded funds and transactions conducted by dual-counter market makers to support market development initiatives for a diversified market, and continuously promote Hong Kong as full-fledged international financial centre.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)114

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1934)

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 to "further nurture Fintech talents, the Government will launch a Fintech internship scheme for post secondary students, under which subsidies will be provided to participating students in Hong Kong and the Greater Bay Area (GBA). The scheme facilitates eligible students to acquire practical work experience in Fintech enterprises in Hong Kong or the wider GBA". In this connection, will the Government inform this Committee of:

1. the details, number of places, number of enterprises offering internship opportunities, positions offered, and target participants of the scheme; and
2. the estimated expenditure of the scheme and amount of subsidies to be provided, and whether the content of the internship can align with the development of green finance?

Asked by: Hon LEUNG Yuk-wai, Kenneth (LegCo internal reference no.: 20)

Reply:

Through collaboration with the industry and financial regulators, we have introduced a number of initiatives to nurture financial technology (Fintech) talents, including 2 rounds of Financial Practitioners Fintech Training Programme launched in 2020 and 2022, as well as the development of the Fintech Qualification Framework, so as to promote the professional development of Fintech talents and expand the Fintech talent pool in Hong Kong. The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech.

We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The internship scheme will provide more than 150 internship in Hong Kong and the

GBA. We hope to provide diversified internship opportunities covering various Fintech fields which may include green-tech. The Financial Services Branch will partner with Fintech enterprises of the 2 places and local and GBA institutions which offer programmes in Fintech-related disciplines to work out the implementation details. Specific internship placement arrangement will be announced in due course.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)115

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3490)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(-) Not Specified
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Chief Executive has recently had a fruitful trip to the Middle East and the business community in Saudi Arabia has expressed interest in using Hong Kong as a springboard to access the Mainland market. In view of the great initiative taken by the Middle East countries to develop virtual assets (VA) and the implementation of a licensing regime for VA service providers in Hong Kong this June, how can Hong Kong leverage its role as a connector in linking up the blockchain markets in the Mainland and the rest of the world so as to explore new opportunities?

Asked by: Hon LIAO Cheung-kong, Martin (LegCo internal reference no.: 1)

Reply:

In October 2022, the Government issued a Policy Statement on Development of Virtual Assets (VA) in Hong Kong (Policy Statement), setting out the vision and policy direction of the Government in this regard.

The Policy Statement has been well received by the industry. As of end-February 2023, the dedicated Fintech team under InvestHK has received expressions of interest from over 80 virtual asset-related Mainland and foreign companies in establishing their presence in Hong Kong. These companies included virtual asset exchanges, blockchain infrastructure companies, blockchain network security companies, virtual currency wallets and payment companies, as well as other projects on building the Web3 ecosystem. They primarily inquired about the implementation details of the Policy Statement, regulatory requirements, visa requirements on talent admission, targeted support measures for the virtual assets and Web3 sector, etc. They also explored the feasibility of establishing businesses in Hong Kong.

As of end-February 2023, 23 companies from the Mainland, Canada, EU countries, Singapore, the UK and the US have indicated to InvestHK that they plan to establish their presence in Hong Kong in 2023. Their business areas include virtual asset exchanges, blockchain infrastructure, blockchain network security, etc.

For regulation, the Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022, which introduces a licensing regime for VA service providers. In February 2023, the Securities and Futures Commission launched a public consultation on the proposed regulatory requirements for the licensing regime. The licensing regime will commence operation in June 2023.

We are committed to establishing a facilitating environment, with timely and necessary guardrails to mitigate actual and potential risks put in place in accordance with international standards. The Task Force on VA Development to be chaired by the Financial Secretary will examine the market situation, development opportunities, regulatory needs and ecosystem of the VA sector in Hong Kong, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)116

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0893)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(-) Not Specified
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Chief Executive announced in the Policy Address that the Government will introduce a bill within this year to offer tax concession for eligible family offices. The target is attracting no less than 200 family offices to establish or expand their operations in Hong Kong by end-2025. Will the Government inform this Committee of the following:

1. How many enquiries from different regions have been received by the dedicated FamilyOfficeHK team since its establishment in June of the year before last year? How many family offices have established their operations in Hong Kong with assistance from the team?

2. What is the number of regions or countries in which the dedicated team has set up offices so far? Please provide detailed information. Will the dedicated team consider setting up offices in emerging markets such as the Middle East?

3. According to the Bureau, what are Hong Kong's merits in attracting enterprises to set up family offices here? What are our advantages over other regions?

Asked by: Hon MA Fung-kwok (LegCo internal reference no.: 18)

Reply:

The National 14th Five-Year Plan supports Hong Kong to strengthen its position as an international asset management centre. With a comprehensive financial services platform as well as an enormous and liquid capital market that is uniquely connected to the Mainland, Hong Kong possesses unique advantages under "One Country, Two Systems" and is the natural choice for ultra-high-net-worth individuals to manage their portfolios.

The Government has been actively promoting the development of family office business in Hong Kong to help the industry seize new business opportunities. In June 2021, with funding support of the Financial Services and the Treasury Bureau, Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) to provide one-stop support services to family offices and ultra-high-net-worth individuals interested in developing their foothold in Hong Kong. The dedicated team has received over 160 enquiries on setting up family offices in Hong Kong, mainly from Mainland, ASEAN countries, Europe and the US. The dedicated team has already successfully assisted 24 family offices to establish or expand their operations in Hong Kong.

The 2023-24 Budget has stated that the Government will allocate $100 million to InvestHK over the next 3 years for attracting more family offices to Hong Kong. With the return to normalcy, the dedicated team plans to roll out diversified and face-to-face interactive events (such as seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2023 to promote to target clients Hong Kong's competitiveness as a family office hub. The dedicated team has already established offices in Brussels and Beijing, and plans to deploy manpower in the Mainland, South East Asia and the Middle East to focus the promotion to target clients of Hong Kong's competitiveness as a family office hub. The dedicated team, in collaboration with its investment promotion units or its consultants based in the Economic and Trade Offices around the world, will also conduct roundtable forums with the theme of family offices in major cities.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)117

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2672)

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 has been actively developing the local debt market in recent years. Apart from the Silver Bonds and Green Bonds that have already been issued, the Government has also announced in the Budget Speech the plan to issue infrastructure bonds. Will the Government inform this Committee of the following:

1. in the last financial year, what was the Government's total interest expense in respect of the bonds issued? Taking into account the bonds that the Government plans to issue in the next 3 years, what will be the total interest expense?
2. The Lantau Tomorrow Scheme will incur massive public expenditures. Does the Government have any plans to raise funds by issuing infrastructure bonds? If the expenditures are entirely funded by issuing infrastructure bonds, what will be the estimated annual interest expense calculated based on the current interest rate after issuing the bonds? How far will it increase the government debt-to-GDP ratio?

Asked by: Hon NG Chau-pei, Stanley (LegCo internal reference no.: 1)

Reply:

(1)

Bond issuance expenses (including interest) under the Government Bond Programme (GBP) and Government Green Bond Programme (GGBP) are paid from the Bond Fund and the Capital Works Reserve Fund respectively. For 2022-23, the revised estimate of such expenses under the GBP and the GGBP are $5.463 billion and $1.129 billion respectively; for 2023-24, the estimates are $8.238 billion and $4.493 billion respectively. For Government bond issuances beyond 2023-24, since the detailed issuance arrangements (e.g. issuance size and interest rate) will be determined having regard to market conditions at that time, we do not have information on the issuance expenses at this juncture.

(2)

Through issuance of bonds, the Government has been fostering the development of our bond market and attaining other policy objectives such as financial inclusiveness and promoting green and sustainable development. The Financial Secretary has stated in the 2023-24 Budget that Hong Kong should make good use of the room for bond issuance to support and expedite economic development, and proposed the setting up of an Infrastructure Bond Scheme (the Scheme), with the expectation of an annual issuance of green bonds and infrastructure bonds worth approximately $65 billion in total in the next 5 financial years. For the infrastructure projects to be covered, the Scheme will not be linked to the project of Kau Yi Chau Artificial Islands as explained by the Financial Secretary previously. We foresee that suitable projects can be identified from the Public Works Programme for inclusion under the Scheme. The Government will formulate the implementation details (including the borrowing ceiling, the infrastructure projects involved, per annum interest rate, tenor, currency, target investors, listing arrangement, etc.). The plan is to introduce the relevant proposals to the Legislative Council in 2023-24.

While making good use of the room for bond issuance, FS has emphasised that the Government would continue to adhere to the fiscal discipline of keeping expenditure within the limits of revenue. The Government will strive to keep the government debt-to-GDP ratio at a relatively low level, which is expected to remain below 10 per cent by the end of the Medium Range Forecast period in 2027-28.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)118

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0068)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(-) Not Specified
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Financial Secretary indicated in paragraph 57 of the Budget Speech that he would "establish and lead a task force on virtual assets (VA) development, with members from relevant policy bureaux, financial regulators and market participants, to provide recommendations on the sustainable and responsible development of the sector". What is the detailed breakdown of the expenditure for the task force on VA development? What is the specific work plan for the coming year? What are the expected outcomes?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 2)

Reply:

The Task Force on Virtual Assets Development (the Task Force) to be chaired by the Financial Secretary will examine the market situation, development opportunities, regulatory needs and ecosystem of the virtual assets sector in Hong Kong, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector.

The expenditure of the Task Force will be absorbed by existing resources.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)119

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0539)

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:

Developing green economy can bring together resources such as technological innovation, finance, commerce and manpower, which can then drive economic transformation and sustainable development, generate demand and create strong impetus for growth. It is mentioned in the Budget Speech that the Government plans to accelerate the development of Hong Kong into an international centre for green technology and finance, and will proceed in five directions. Please inform this Committee of:

1. the estimated expenditure and specific measures in respect of training for talents; and
2. the estimated expenditure and specific measures on supporting local start-ups and small and medium enterprises in their transformation development and utilisation of green technology.

Asked by: Hon QUAT Elizabeth (LegCo internal reference no.: 31)

Reply:

In consultation with the Environment and Ecology Bureau as well as the Innovation, Technology and Industry Bureau, our reply to the two-part question is as follows.

(1)

Talent nurturing is crucial to further promoting green and sustainable development. Specific measures implemented by the Government for the training of talents for financial services, environmental and green industry, and innovation and technology (I&T) are set out below.

Financial services

We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme) with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000. The Pilot Scheme has since its launch received many enquiries and positive feedback on the coverage of the programmes and qualifications. We will continue to closely monitor the implementation.

Formed by relevant Government Bureaux and financial regulators, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) launched in July 2021 the Centre for Green and Sustainable Finance (GSF Centre) to co-ordinate cross-sector efforts in capacity building and enhancing talent and data resources for the financial industry. In the first half of 2022, the GSF Centre launched a series of repositories to support the industry and students in locating data sources as well as useful learning resources and opportunities.

In October 2022, the Steering Group launched the Sustainable Finance Internship Initiative to create more sustainable finance internship opportunities in Hong Kong for students, facilitating them to gain relevant hands-on experience and supporting the development of the green and sustainable finance talent pool in Hong Kong.

Environmental and green industry

A number of local tertiary institutions have been offering undergraduate and postgraduate programmes related to environmental protection to meet the demand for environmental and green industry talents in Hong Kong. To help young people seize the career opportunities brought about by low-carbon transformation, the Environment and Ecology Bureau and the Environmental Protection Department (EPD) have been organising summer internship and mentorship programmes for years. The Graduates Subsidy Programme has also been launched recently to subsidise companies and relevant organisations to employ fresh graduates to work in areas related to environmental protection. Moreover, the EPD collaborates with various professional societies and organisations to provide engineering graduates with internship and training opportunities in environmental engineering. Besides, professional training courses on environmental protection are offered through the GreenPro Training Programme. The relevant work is an integral part of the EPD’s work and the manpower involved is absorbed by the existing establishment of the EPD. We do not have the relevant breakdown.

I&T

We have also been enlarging the I&T talent pool in Hong Kong through nurturing local talents with a series of initiatives. The measures and funding schemes are pitched at target groups at different life stages, ranging from nurturing citizens’ interest in the I&T since young as well as encouraging and assisting university students to pursue a career in the I&T to pooling local and overseas I&T talents.

The “IT Innovation Lab in Secondary Schools” and the “Knowing More about IT” programmes provide funding for secondary and primary schools respectively to organise IT-related extra-curricular activities to cultivate students' interest and knowledge in the I&T. The 2023-24 Budget announced that an additional funding of $300 million would be made to continue providing subsidies of up to $1 million for each publicly-funded secondary school in the next 3 academic years for organisation of IT-related extra-curricular activities. The Innovation and Technology Scholarship subsidises outstanding university students to take part in overseas exchange, local internships, mentorship programmes, etc. STEM Internship Scheme encourages university students in STEM disciplines to experience I&T-related work during their studies. The Research Talent Hub funds eligible institutions and enterprises to recruit university graduates to conduct research and development (R&D) work.

(2)

The Innovation and Technology Fund under the Innovation and Technology Commission has been proactively supporting the R&D in different technology areas, including green technologies. Different funding schemes under the Fund that support the R&D have so far approved about 110 R&D projects related to green technologies with a total funding amount of about $330 million.

The Government set up the Green Tech Fund (GTF) in 2020, and injected in 2022 an additional funding of $200 million to double the provision to $400 million, with a view to providing better and more focused funding support for R&D projects which could help Hong Kong decarbonise and enhance environmental protection. Apart from granting full funding support to projects conducted by designated local public research institutes and R&D centres, the GTF also provides funding support to projects conducted by private research institutes on a matching basis. Companies established within 2 years prior to the deadline of the respective round of application can apply for rental subsidy, with a ceiling set at 15% of the total funding amount requested. As at 31 December 2022, the GTF approved 22 R&D projects, of which 16 were proposed by public organisations and the remaining 6 were submitted by local companies, involving a total grant of around $100 million.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)120

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1574)

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 learnt that the environmental, social and governance (ESG) performances have become important new indicators adopted worldwide for measuring the business performances of enterprises. In this connection, please inform this Committee of the following:

1. whether the Government will support or sponsor local small and medium enterprises (SMEs) to obtain ESG-related financial certification so as to assist them in obtaining funding and thereby enhancing the external competitiveness of local enterprises; if yes, the details and expenditure involved; if no, the reasons;
2. whether it will introduce ESG operation concepts to the government; if yes, the details and expenditure involved; if no, the reasons;
3. whether the Government or the Hong Kong Exchanges and Clearing Limited will require listed companies to include Scope 3 emissions data in their annual sustainability reports; if yes, the details and timetable; if no, the reasons;
4. how the Government will promote the development of the setting of ESG benchmarks in Hong Kong.

Asked by: Hon QUAT Elizabeth (LegCo internal reference no.: 39)

Reply:

In consultation with the Development Bureau and the Environment and Ecology Bureau, our reply to the 4 parts of the question is as follows.

(1)

To attract more green and sustainable bond issuers and borrowers to use Hong Kong's fundraising platform and professional services, we launched in May 2021 a three-year Green and Sustainable Finance Grant Scheme (GSFGS) to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services, encourage more green financing activities to be conducted in Hong Kong and attract more financial and professional service providers including external reviewers to set up or expand their business in Hong Kong. Details are as follows.

Total provision	$255 million
Maximum subsidy for each eligible application	Maximum subsidy for bond issuance costs: $2.5 million Maximum subsidy for external review costs: $800,000
Number of approved applications (As of end March 2023)	Over 220
Total amount of subsidy approved (As of end March 2023)	Close to $170 million
Types of debt instruments covered	Green bonds, sustainability bonds, green loans, sustainability-linked loans, etc.
Amount of underlying debt issuance (As of end March 2023)	Over $560 billion

We have, since March 2022, lowered the minimum loan size threshold from $200 million to $100 million in respect of applications for subsidies for covering external review costs with a view to supporting relatively small enterprises in obtaining green financing, thereby facilitating their transition to low carbon and emission reduction, and promoting the development of green finance in Hong Kong.

(2)

To reduce the total carbon emissions by 50% before 2035 (from the 2005 level) in order to achieve the goal of carbon neutrality before 2050, the Chief Executive's 2022 Policy Address announced a series of decarbonisation efforts in relation to public facilities and services, which include improving the overall energy performance of government buildings and infrastructure by more than 6% by 2024-25, accelerating the incorporation of district cooling systems in New Development Areas (including the Northern Metropolis), providing an additional 7 000 parking spaces with electric vehicle chargers in government premises in 3 years, launching a trial scheme on food waste collection in public rental housing, etc. In addition, the Government has implemented the following Environmental, Social and Governance (ESG)-related measures:

<u>Procurement Policy</u>
The Government has implemented a green procurement policy that requires departments to, under cost-effective conditions, procure products and services in accordance with the green product standards promulgated by the Environment and Ecology Bureau in consultation with relevant departments, purchase green products and avoid the use of disposable items, thereby actively promoting carbon reduction, waste reduction and a circular economy. The Government is committed to striking a balance between development and conservation in the implementation of large-scale construction projects. We promote low-carbon construction, emission reduction and green procurement, including the use of recycled and environmentally friendly construction materials. The Government has also put in place a mechanism to score technical

proposals for environmental protection, including greening and carbon emissions, digital operation, and innovative concepts, in the tendering process.

Government Green Bond Programme (GGBP)
The proceeds raised under the GGBP has funded a total of 45 eligible projects so far, which help improve the environment and promote the development of Hong Kong as a more sustainable and liveable city. As stated in the 2023-24 Budget, we plan to issue green bonds and infrastructure bonds worth approximately $65 billion in total annually within the 5 years from 2023-24, and will further expand the scope of the GGBP to cover sustainable finance projects.

Exchange Fund
For the Exchange Fund, the Hong Kong Monetary Authority has adopted a guiding principle that priority will generally be given to ESG investments if the long-term return is comparable to other investments on a risk-adjusted basis. The HKMA has integrated ESG factors into the public and private market investment process, and is continuously increasing ESG and green investments under the guiding principle.

(3)

Scope 3 emissions concern all the indirect emissions that occur in the company's value chain. Although the disclosures of such emissions are currently not required under the ESG Reporting Guide of the Hong Kong Exchanges and Clearing Limited, the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited have formed a joint working group with a view to developing proposals that are aligned with the International Sustainability Standards Board (ISSB) standards for Hong Kong-listed issuers. The ISSB standards are expected to be finalised within 2023 the earliest and would contemplate disclosures on scope 3 GHG emissions. The joint working group is looking into the readiness of listed companies to report under the proposed disclosure requirements and the challenges they face.

(4)

In addition to attracting more green and sustainable finance certification bodies and external reviewers to set up or expand their business in Hong Kong through the GSFGS, we have also been actively promoting the establishment of a local green classification framework, aligning with international best practice. Following the publication of the updated Common Ground Taxonomy (CGT) report by the International Platform on Sustainable Finance in June 2022, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group, formed by relevant Government Bureaux and financial regulators), with the aim of aligning with the CGT, will explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, the Mainland's and EU's taxonomies. The Steering Group will formulate proposals on the structure and core elements of the framework for consultation.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)121

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3025)

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 Budget Speech stated that "promoting green economy for sustainable development is an important theme globally, and our country is advancing towards the '3060 Dual Carbon Targets'", while the Bureau's Matters Requiring Special Attention under the Budget this year also mentioned "facilitating market innovation to deepen and broaden the market, including formulating policies on financial technology development and green finance". However, with the Mainland and Hong Kong setting their own timetables for decarbonisation, a large number of green investments and products will emerge in the foreseeable future, and Hong Kong can play an important role by leveraging its well-developed financial infrastructure and pool of professional talents. In this connection, will the Government inform this Committee of the following:

1. Will the Government consider developing a skills framework to conceptualise and standardise the ever-growing list of skills and competencies required by the green and sustainable financial markets to ensure that the framework will not only live up to Hong Kong's status as an international financial centre, but also cater for the needs of small businesses and family offices alike?

2. Focusing on the licensing of professionals in various fields of the financial market, will the Government formulate comparable certification procedures for professions in the green and sustainable finance sector and introduce a licensing regime for the professionals (such competency certification could make reference to the certification arrangements for financial professionals such as wealth managers and securities intermediaries)?

3. Will the Government categorise training programmes based on the talent gaps filled, so as to provide vocational training and training related to the knowledge of professional operation, as well as management/top management skills? Will the Government also consider ways to accommodate the professionals' needs for continuing competence development throughout their careers, and provide subsidies and incentives

to encourage practitioners of the green and sustainable finance sector to enhance their competencies through continuing education so as to meet the ever-changing needs of the sector?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 6)

Reply:

With the goals of our country and the Hong Kong Special Administrative Region in achieving carbon neutrality before 2060 and before 2050 respectively, green and sustainable development has attracted growing attention. As more green and sustainable finance (GSF)-related business opportunities are emerging in the financial services sector in Hong Kong and the region, the demand for relevant professionals is also on the rise. Seizing the opportunities, we have been committed to promoting the GSF to address climate-related financial risks, and proactively expanding the talent pool in Hong Kong with a view to strengthening the industry's GSF competitiveness and reinforcing Hong Kong's status as a GSF finance hub in the region.

Specifically, we in coordination with the financial regulators have been working closely with the industry and the academia to take forward various initiatives for both individuals and institutions to enhance GSF training for local talents. Details are set out as follows.

(1) Developing a green and sustainable finance qualification framework

Formed by relevant Government Bureaux and financial regulators, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) launched in July 2021 the Centre for Green and Sustainable Finance (GSF Centre) to co-ordinate cross-sector efforts in capacity building and enhancing talent and data resources for the financial industry. The GSF Centre has recommended multiple measures in respect of capacity building, including the development of a common GSF qualification framework. To take it forward, the Hong Kong Monetary Authority is developing a new GSF module under the Enhanced Competency Framework for Banking Practitioners, which can serve as a set of common competency standards for the banking industry to strengthen talent training. The Core Level of this new module is expected to be launched in the second quarter of 2023.

(2) Launching subsidy scheme to support training

We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000. Currently, there are already 24 eligible programmes and qualifications as provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc., covering a wide variety of programmes (e.g. relating to banking services, asset management, insurance) with different teaching modes (e.g. online learning) to cater for participants' needs.

(3) Data resources and internship scheme

The GSF Centre launched in the first half of 2022 a series of repositories (covering training information, internship opportunities and data sources for climate risk management and other GSF-related analysis and research) to support the industry and students in locating data sources as well as useful learning resources and opportunities.

In October 2022, the Steering Group launched the Sustainable Finance Internship Initiative to create more sustainable finance internship opportunities in Hong Kong for students, facilitating them to gain relevant hands-on experience and supporting the development of the GSF talent pool in Hong Kong.

(4) Talent List

The Government has added "financial professionals in Environmental, Social and Governance (ESG)" to the Talent List since 2021 to provide immigration facilitation to incoming ESG talents submitting applications under the Quality Migrant Admission Scheme. Since December 2022, under the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals, employers who seek to fill vacancies falling under the Industry Segments and Occupations on the Talent List (including financial professionals in ESG) are eligible for the exemption from the market availability test, i.e. not required to prove their difficulties in local recruitment in making applications for talent admission directly.

(5) Green Technology and Finance Development Committee

The Financial Secretary announced in the 2023-24 Budget that he will set up a Green Technology and Finance Development Committee, inviting industry representatives from green technology, green finance and green standard certification, etc., to assist in the formulation of an action agenda for promoting the development of Hong Kong into an international green technology and finance centre. Details will be announced in due course.

Through the above measures, we seek to make use of Hong Kong's solid financial infrastructure and progressively enriched talent pool in bolstering the broader and deeper development of financial technology and the GSF. We will continue to monitor market demand on the types of qualification and skill of talents required.

- End -

Reply Serial No.

FSTB(FS)122

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3042)

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:

To address the impact of emigration tides, the Government announced in last year's Policy Address a series of measures to nurture local talents and attract overseas talents, including the launch of the Top Talent Pass Scheme and the establishment of the Talents Service Unit. The Financial Secretary also announced in this year's Budget that the Government will introduce a new Capital Investment Entrant Scheme (the Scheme) to further enrich the talent pool and attract more new capital to Hong Kong. The Scheme will attract capital investment entrants from the nine Greater Bay Area (GBA) cities in Guangdong Province to come to Hong Kong, and will facilitate the effective flows of talents, capital, technology, market, etc. and speed up the integration of the GBA. In this regard, please advise this Committee on the following:

1. What are the investment threshold and requirements that a capital investment entrant has to meet in applying for the Scheme? What are the details of the classes of investment assets?

2. Further to the above questions, if the Government has not yet decided on the relevant details, will there be a timetable on the implementation details of the Scheme?

3. Will the Government provide a "talent list" of the Scheme to reflect the manpower demands of various professions?

4. Will the Government consider setting the requirement that after a capital investment entrant has selected a start-up, he/she has to be tied to the interests of this start-up for a particular number of years, thus forming the basis for long-term co-operation between both sides?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 23)

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)123

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1589)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau indicates in the Matters Requiring Special Attention in 2023-24 that it will "introduce the Financial Technology Internship Scheme for Post-secondary Students in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area, and oversee the Pilot Green and Sustainable Finance Capacity Building Support Scheme, the Pilot Scheme on Training Subsidies for Fintech Practitioners, and the extended Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector to foster talent development in these aspects in Hong Kong". In this connection, would the Government inform this Committee of the following:

1. What are the specific implementation details and estimated expenditure of the Financial Technology Internship Scheme for Post-secondary Students? Will universities and relevant institutions be invited for collaboration to promote the participation of students and enhance the effectiveness of the Scheme? If yes, what are the details? If no, what are the reasons?

2. With the introduction of the Pilot Green and Sustainable Finance Capacity Building Support Scheme, the Pilot Scheme on Training Subsidies for Fintech Practitioners and the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector, please list in respective of the 3 schemes: (i) the type of participating industries; (ii) the number of programmes involved currently; (iii) the number of people benefitted; (iv) the breakdown by age and industry regarding those benefitted; (v) the total amount of funding so far; and (vi) the effectiveness.

3. Will a regular assessment mechanism be established for the above 4 schemes to evaluate the actual effectiveness of the schemes to the industries and in respect of talent building? If yes, what are the details? If no, what are the reasons?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 17)

Reply:

Fintech internship scheme for post-secondary students

Through collaboration with the industry and financial regulators, we have introduced a number of initiatives to nurture financial technology (Fintech) talents, including 2 rounds of Financial Practitioners Fintech Training Programme launched in 2020 and 2022, as well as the development of the Fintech Qualification Framework, so as to promote the professional development of Fintech talents and expand the Fintech talent pool in Hong Kong. The Budget proposes to introduce a Fintech internship scheme for post-secondary students (internship scheme) which aims at facilitating students studying in Fintech related subjects to acquire practical work experience in Fintech enterprises in Hong Kong and the Greater Bay Area (GBA), thus equipping them early with knowledge in pursuing a career in Fintech.

We have earmarked $12 million for implementation of the internship scheme starting in 2023-24. The internship scheme will provide more than 150 internship in Hong Kong and the GBA. The Financial Services Branch will partner with Fintech enterprises of the 2 places as well as local and GBA institutions which offer programmes in Fintech-related disciplines to work out the implementation details. Specific internship placement arrangement will be announced in due course. We will also put in place evaluation mechanism with the relevant tertiary institutions to review the implementation and effectiveness of the scheme.

Pilot Green and Sustainable Finance Capacity Building Support Scheme

We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme) with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000.

The Pilot Scheme has since its launch received many enquiries and positive feedback on the coverage of the programmes and qualifications. Currently, there are 24 eligible programmes and qualifications as provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc. The list will continue to be updated. The Pilot Scheme is still at its early implementation stage. Participants can only make subsidy applications after successfully completing the programmes or accomplishing the qualifications. We will closely monitor the implementation and continue to collect feedback from the industry, programme providers and participants.

The Pilot Green and Sustainable Finance Capacity Building Support Scheme will last for 3 years. We will keep reviewing its operation and collect feedback and comments from the industry, programme providers and participants through the Green and Sustainable Finance Centre.

The Pilot Scheme on Training Subsidy for Fintech Practitioners

The first batch of Fintech professional qualifications recognised under the Qualifications Framework for banking practitioners was rolled out in September last year. Meanwhile, we allocated $38 million last year to launch the Pilot Scheme on Training Subsidy for Fintech Practitioners. Under the scheme, Fintech practitioners who have successfully attained Fintech professional qualifications will be eligible to claim reimbursement of up to 80% of the tuition fees, subject to a cap of $25,000. There are 1 500 quota under the scheme, which aims at promoting the professional development of Fintech talents and expanding the Fintech talent pool in Hong Kong.

So far, around 230 Fintech practitioners from the banking sector have enrolled in the Fintech professional qualifications training courses. First batch of the training courses will complete in the first quarter of this year. The practitioners may be reimbursed with the tuition fees upon successful completion of the courses. We will collect feedback and comments from the industry, programme providers and participants to review the implementation and effectiveness of the scheme.

Furthermore, we are developing Fintech professional qualifications for the securities and insurance sectors. The relevant consultancy study commences in the first quarter of this year, and is expected to be completed by end of the year. Based on the consultancy study results, we will develop the applicable Fintech Qualifications Framework for the securities and insurance practitioners in consultation with the industry.

<u>Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector</u>

The Government launched in August 2016 the "Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector" (Pilot Programme) to provide subsidy for tertiary student internships and professional training for practitioners, and promote the employment opportunities and career prospects of the industries through different channels. The beneficiaries of the Pilot Programme are institutes organising training courses in the insurance sector, industry practitioners in the asset and wealth management industry, and local tertiary students. Since inception, for the insurance sector, the Pilot Programme has provided about 450 internship positions to tertiary students and over 15 000 participants have taken part in subsidies training courses. For the asset and wealth management sector, over 580 tertiary students have completed their internships, with about 3 800 applications for professional training course fee subsidy approved. As at end-February 2023, the actual expenditure of the Pilot Programme was about $90.62 million.

We conducted holistic review on the effectiveness and operation of each initiative of the Pilot Programme, and took into consideration the positive feedback from participants and suggestions from the industries. The Financial Secretary has announced in the 2023-24 Budget that the Pilot Programme will be extended for 3 years to nurture more talents for the industries and enhance professional competency of practitioners. In the coming 3 years, we will focus on measures that support student internships and professional training for industry practitioners and make various enhancements, including the extension of the duration and eligibility of internships, and increase of the quota for student internships and training for industry practitioners. We will continue to consider the views of participants and the industries, and review the Pilot Programme as appropriate.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)124

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1590)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau is responsible for promoting the development of green and sustainable finance in Hong Kong in tandem with national and international development. In this connection, would the Government inform this Committee of the following:

1. What are the specific work details in terms of promoting the development of green and sustainable finance in Hong Kong in the past 3 years? In particular, what are the specific economic benefits brought to Hong Kong?

2. Regarding the Green and Sustainable Finance Grant Scheme, what are (i) the total number of applications, (ii) the number of approved applications, (iii) the percentage of approved applications in the total number of applications, (iv) the total amount of funding, and (v) the type of green and sustainable debt instruments covered in the past 2 years? What are the specific outcomes of the Scheme? Will the Scheme be regularised? If yes, what are the details? If no, what are the reasons?

3. What are the specific work details of the Green Technology and Finance Development Committee to be set up and its timetable? What are the estimated expenditure expected to be allocated and its detailed breakdown? What are the expected outcomes to be achieved? Will a performance indicator be in place to assess the effectiveness of the Committee?

4. To facilitate inflow of green capital into Hong Kong and expedite the establishment of Hong Kong as an international centre for green technology and finance, are there any specific plans or measures in place to further enhance the development of a green standard to ensure that our standard can best align with that of the Mainland and the international community as early as practicable? If yes, what are the details and timetable? If no, what are the reasons?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 18)

Reply:

We have been promoting green and sustainable finance in Hong Kong through a multi-pronged strategy. Our consolidated reply to various parts of the question is as follows.

(1) Promoting market development

(a) Government Green Bond Programme (GGBP)

As of February 2023, we have successfully issued green bonds totalling close to US$16 billion equivalent, including offshore RMB green bonds totalling RMB15 billion, under the GGBP. The GGBP helps raise Hong Kong's profile and establish market benchmark, enrich the green and sustainable finance ecosystem, provide funding for green public works projects, and showcase to potential green bond issuers that Hong Kong is a premier platform offering one-stop service for issuing green products. As stated in the 2023-24 Budget, we plan to issue green bonds and infrastructure bonds worth approximately HK$65 billion in total annually within the 5 years from 2023-24, and will further expand the GGBP scope to cover sustainable finance projects.

(b) Green and Sustainable Finance Grant Scheme (GSFGS)

To attract more green and sustainable bond issuers and borrowers to use Hong Kong's fundraising platform and professional services, we launched in May 2021 a three-year GSFGS to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. Details are as follows.

Total provision	$255 million
Maximum subsidy for each eligible application	Maximum subsidy for bond issuance costs: $2.5 million Maximum subsidy for external review costs: $800,000
Number of approved applications (As of end March 2023)	Over 220
Total amount of subsidy approved (As of end March 2023)	Close to $170 million
Types of debt instruments covered	Green bonds, sustainability bonds, green loans, sustainability-linked loans, etc.
Amount of underlying debt issuance (As of end March 2023)	Over $560 billion

As applicants can enquire with the Hong Kong Monetary Authority (HKMA) in advance about their eligibility and the relevant application guideline has been published on the HKMA's website, most applications were approved. The GSFGS also attracts more financial institutions and professional service providers including external reviewers to set up or expand their business in Hong Kong, conducive to establishing a well-rounded green finance ecosystem. We will continue to maintain close liaison with the industry, and examine the way forward of the GSFGS taking into account its effectiveness, industry feedback and market developments.

(2) Formulating green standards aligned with the Mainland and international markets

(a) Green finance standards

The International Platform on Sustainable Finance's Working Group on Taxonomies co-led by the Mainland and the European Union (EU) published the updated Common Ground Taxonomy (CGT) report in June 2022, presenting an in-depth comparison and areas of commonality between the Mainland's and EU's taxonomies. The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group, formed by relevant Government Bureaux and financial regulators), with the aim of aligning with the CGT, will explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, the Mainland's and EU's taxonomies. The Steering Group will formulate proposals on the structure and core elements of the framework for consultation.

(b) Climate-related disclosures

The Steering Group will make the requirement on climate-related disclosures as aligned with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations mandatory across relevant sectors no later than 2025. The Steering Group also supports the development of a global uniform set of sustainability reporting standard. In March 2022, the International Sustainability Standards Board (ISSB) published the exposure drafts on the general requirements for sustainability-related disclosure standard and climate-related disclosure standard, which are built on the TCFD's recommendations. In light of this, the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited have formed a joint working group for developing a disclosure framework aligned with the ISSB standards for Hong Kong-listed issuers. The joint working group conducted soft consultations with over 50 listed issuers and professional bodies in April and May 2022, and will take into account their feedback when developing relevant proposals.

(3) Nurturing and attracting talents

(a) Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme)

We launched in December 2022 a three-year Pilot Scheme with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to $10,000. The Pilot Scheme has since its launch received many enquiries and positive feedback on the coverage of the programmes and qualifications. We will continue to closely monitor the implementation.

(b) Data resource and internship scheme

The Steering Group launched in July 2021 the Green and Sustainable Finance (GSF Centre) to co-ordinate cross-sector efforts in capacity building and enhancing talent and data resources for the financial industry. In the first half of 2022, the GSF Centre launched a series of repositories to support the industry and students in locating data sources as well as useful learning resources and opportunities.

In October 2022, the Steering Group launched the Sustainable Finance Internship Initiative to create more sustainable finance internship opportunities in Hong Kong for students, facilitating them to gain relevant hands-on experience and supporting the development of the green and sustainable finance talent pool in Hong Kong

(c) Talent List

The Government has added "financial professionals in Environmental, Social and Governance (ESG)" to the Talent List since 2021 to provide immigration facilitation to incoming ESG talents submitting applications under the Quality Migrant Admission Scheme. Since December 2022, under the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals, employers who seek to fill vacancies falling under the Industry Segments and Occupations on the Talent List (including financial professionals in ESG) are eligible for the exemption from the market availability test, i.e. not required to prove their difficulties in local recruitment in making applications for talent admission directly.

(4) High-level framework

(a) Green and Sustainable Finance Cross-Agency Steering Group

To consolidate and enhance efforts across the financial sector, the Steering Group was established in May 2020 to coordinate measures of the financial sector for addressing their climate and environmental risks, accelerate the growth of green and sustainable finance in Hong Kong, and support the Government's climate strategies. The Steering Group has established three work streams and met regularly to take forward initiatives on market development, regulation and carbon market opportunities.

(b) Green Technology and Finance Development Committee

The Financial Secretary announced in the 2023-24 Budget that he will set up a Green Technology and Finance Development Committee, inviting industry representatives from green technology, green finance and green standard certification, etc., to assist in the formulation of an action agenda for promoting the development of Hong Kong into an international green technology and finance centre. Details will be announced in due course.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)125

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1591)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

As stated under the Matters Requiring Special Attention in 2023-24, the Financial Services and the Treasury Bureau "will enhance Hong Kong's regulatory regime for combating money laundering and terrorist financing by, inter alia, overseeing the implementation of a licensing regime on 'virtual asset' service providers and the relevant measures." In this connection, would the Government inform this Committee of the following:

1. Regarding the licensing regime for virtual asset service providers and other regulatory measures on virtual assets, what are their specific implementation details and timetables?

2. Global development is trending towards digital finance, with transactions in virtual assets inevitably becoming more prevalent. Does the Government have any specific plans or measures to maintain effective investor protection and regulation while providing appropriate support for financial development and strike a balance between the two, so as to facilitate the upgrading and restructuring of the financial industry towards the new era of smart finance? If yes, what are the specific details? If no, what are the reasons?

3. Does the Government have any specific plans to further strengthen our Fintech infrastructure, with a view to enhancing industry development, raising overall operational efficiency and optimising user experience? If yes, what are the details? If no, what are the reasons?

4. In face of the major global trend of rapid transition towards digitalisation, many Asian countries and regions have formulated relevant legislation on public data as well as data management and application by the private sector. Are there any plans to formulate legislation on data security, in particular relevant legislation on data application by the financial sector, so as to ensure the openness and transparency of data application for the purposes of regulation and law enforcement, as well as enhance protection of personal data of investors, for the creation of a sound legal basis for smart finance? If yes, what are the details? If no, what are the reasons?

5. Whether different publicity strategies will be made for different groups of people, so that people of different age groups, especially the elderly, can have a better understanding of digitalisation in such areas as upgrading and restructuring of the financial industry and investment? If yes, what are the details? If no, what are the reasons?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 20)

Reply:

(1) & (2)

In October 2022, the Government issued a Policy Statement on Development of Virtual Assets (VA) in Hong Kong (Policy Statement), setting out the vision and policy direction of the Government in this regard. The Policy Statement has been well received by the industry.

The Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022, which introduces a licensing regime for VA service providers. In February 2023, the Securities and Futures Commission launched a public consultation on the proposed regulatory requirements for the licensing regime. The licensing regime will commence operation in June 2023. In addition, the Hong Kong Monetary Authority (HKMA) announced in January 2023 the public consultation conclusions on the regulation of “stablecoins”. The HKMA will further formulate the regulatory framework with an aim to implementing the regulation of “stablecoins” in 2024.

We are committed to establishing a facilitating environment, with timely and necessary guardrails to mitigate actual and potential risks put in place in accordance with international standards. The Task Force on VA Development to be chaired by the Financial Secretary will examine the market situation, development opportunities, regulation needs and ecosystem of the VA sector in Hong Kong, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector.

(3)

Fintech infrastructure is one of the cornerstones supporting the development of Fintech in Hong Kong. We strive to enhance the Fintech infrastructure which underpins Fintech adoption in the areas of payment, cross-boundary settlement and application, and business financing. The latest development of relevant measures on financial infrastructure is as follows –

Faster Payment System (FPS): Since the launch of the FPS in 2018, the usage of the FPS has expanded from person-to-person transactions to merchant payments and top-up transactions, and add-on services for Web-to-app and App-to-app payments were successively launched which have facilitated development of electronic payments. The FPS has also expanded to payments for various Government bills and services. Currently, over 80% Government departments provide FPS service as a payment option, and more public services will accept FPS payment in the next 2 years to bring convenience to the public. The HKMA is also working with the Bank of Thailand to explore the use of Hong Kong’s FPS and Thailand’s PromptPay by visitors from the 2 places for local payment, providing them with another safe, fast and effective payment option. Implementation details and timetable will be subject to the ongoing discussion between the 2 sides. The HKMA will continue to work closely with the industry and other stakeholders to further explore new use cases of the FPS and enhance its functionality to facilitate adoption by users.

Commercial Data Interchange (CDI): Since the launch of the CDI in October last year, the service has attracted the participation of 23 banks with material small and medium enterprise business and 10 data providers. The HKMA has been actively exploring new use cases and developing improvement measures to further boost the adoption of the CDI. The CDI will be linked to the Consented Data Exchange Gateway developed by the Government. That will facilitate introduction of more government data sources into the CDI, thereby allowing financial institutions access to more useful data. We will continue to explore expanding the functionality of the CDI to enrich the data-driven financial service ecosystem.

e-HKD and e-CNY: The HKMA announced in September last year the policy document on e-HKD, suggesting that it will study the technology and legal foundations as well as use cases for e-HKD, for preparation for the possible implementation of e-HKD in future. The relevant work is in progress, and the timetable for implementation of e-HKD has yet to be firmed up. In addition, the HKMA and the People's Bank of China (PBoC) are conducting technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, which will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in the Mainland and Hong Kong, and help promote interconnection. The testing includes the use of the FPS to top up, and four Hong Kong major retail banks and whitelist-invited participants are joining the testing which will help assessing the required preparation and readiness of market users.

Multiple Central Bank Digital Currency Bridge (mBridge) Project: The HKMA, together with 3 central banks, namely the Digital Currency Institute of the PBoC, the Bank of Thailand, and the Central Bank of the United Arab Emirates, as well as the Bank for International Settlements Innovation Hub Hong Kong Centre are conducting a project named mBridge, researching on the application of wholesale Central Bank Digital Currency (CBDC). The project went beyond experimentation and entered the pilot phase in Q3 2022, with 20 banks in the 4 jurisdictions participating. The HKMA will continue to examine with the rest of the project team on providing an option for the central banks to use the CBDC to improve the pace of cross-border payment.

eMPF Platform: As the most important reform initiative of the Mandatory Provident Fund (MPF) System since its inception, the eMPF Platform seeks to standardize, streamline and automate the administration processes of MPF schemes, thereby enhancing operational efficiency of the MPF System, reducing administration costs and improving user experience. The Mandatory Provident Fund Schemes Authority, the eMPF Platform Company Limited and the Contractor are pressing ahead with the eMPF Platform Project. The target is to achieve full implementation of the Platform in 2025.

(4)

To protect the security of government information systems and data, the Government has formulated a comprehensive set of government information security incident response mechanism and related measures. First, the Security Regulations promulgated by the

Security Bureau include dedicated chapters governing information security, which define the security classification of government information and explicitly require government departments to properly classify the information they hold, and take corresponding measures according to the classification to ensure that the information is fully protected in the course of storage and business operations. For example, only authorised persons with operational needs could access classified information or access and use related information systems and data, and classified information stored in the information systems must be encrypted, etc.

Besides, the Office of the Government Chief Information Officer has formulated a set of detailed Government IT Security Policy and Guidelines (Policy and Guidelines) under the framework of the Security Regulations and with reference to international standards. The Policy and Guidelines require all B/Ds to explicitly define and regularly review the access rights of relevant information systems and data, set out technical requirements for the use of encryption, and stipulate that B/Ds must establish information security management framework in order to effectively handle security matters, etc. The Policy and Guidelines also stipulates that B/Ds must regularly conduct independent security risk assessments and audits for their information systems and data security so as to strengthen the security measures. We will continue to review and update the Policy and Guidelines regularly with reference to the latest international standards and industry best practices.

Regarding data security in the banking industry, the HKMA has launched various initiatives to provide guidance to banks in managing the risks of cyber attacks and data breaches. For instance, in November 2020, the HKMA launched the Cyber Resilience Assessment Framework 2.0 (C-RAF 2.0) to reflect the latest sound practices on cyber security risk management, including data classification and protection, and security measures to detect and prevent data leakage. In view of the rising risks of destructive cyber attacks, the HKMA issued a circular in May 2021 to require all banks to critically assess the need for a secure tertiary data backup. As regards banks' customer data protection measures, the HKMA conducted thematic examinations to assess the adequacy and effectiveness of the relevant measures. A circular was issued in April 2022 to share with the industry some sound practices, covering areas such as data governance and data security measures. Separately, in the light of a growing number of data breaches involving payment cards around the world, the HKMA provided additional guidance to card scheme operators and banks in September 2022 to strengthen their data security and response capability to data leakage incidents.

Regarding investor data management, the SFC issued the Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading in 2017, which set out the cybersecurity requirements for the securities industry. These requirements include the implementation of specific security controls required of the SFC-licensed brokers to protect client data and their own data, such as data encryption and system and data backup. In addition, the SFC requires licensed corporations to comply with the Personal Data (Privacy) Ordinance when handling client data.

(5)

The Investor and Financial Education Council (IFEC) collaborated with stakeholders from different sectors to enhance the digital financial literacy of the public. Using different channels (e.g., TV, newspaper, internet and social media), the IFEC provides investor and financial education messages and resources including bewaring of ramp and dump schemes and financial scams, key considerations when using online investment platforms, risks and opportunities to be considered when investing in virtual assets, and over 15 digital tools for financial management on IFEC's website.

Through online quizzes, animated videos, online talks, reality games, etc., the IFEC engages different target public segments to facilitate them to experience the benefits and convenience brought about by digital finance, while staying vigilant against potential risks. The IFEC also collaborates with social service organisations and other non-profit organisations to provide financial education workshops and seminars to seniors leveraging stakeholders' networks. The IFEC will continue to enhance seniors' digital financial literacy.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)126

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1636)

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 Budget Speech mentioned the "plan to issue no less than $50 billion of Silver Bond and $15 billion of retail green bonds in the next financial year". In this connection, please inform this Committee of the following:

1. the details of the specific work on promoting the development of Hong Kong's bond market in the past 3 years, and the specific economic benefits brought to Hong Kong;
2. whether the issuances of Silver Bond and green retail bonds mentioned above will include bonds settled in Renminbi as well as the relevant tokenised bonds and Hong Kong dollar bonds with a longer tenor; if yes, the details; if no, the reasons;
3. whether there are specific plans or measures to enhance the Government Green Bond Programme so as to promote the development of green finance in Hong Kong and in particular the local green bond market; if yes, the details; if no, the reasons.

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 19)

Reply:

(1)

In the past 3 years, we continued to promote the development of the bond market in a multi-pronged approach, with specific measures as set out below.

(a) Issuing Government bonds

In July 2021, we raised the borrowing ceiling of the Government Bond Programme (GBP) and the Government Green Bond Programme (GGBP) to HK$300 billion and HK$200 billion respectively, and have issued bonds under the 2 programmes continuously. During 2020-21 to 2022-23, we issued a total of HK$63.9 billion of institutional bonds and HK$125 billion of retail bonds (including HK$90 billion of Silver Bonds and HK$35 billion of inflation-linked bonds) under the GBP. We also issued around US$12 billion worth of institutional bonds and HK$20 billion of retail green bonds under the GGBP. These issuances achieved a number of breakthroughs, including the inaugural issuance of Hong Kong Dollar Overnight Index Average-indexed Floating Rate Notes, Renminbi bonds, Euro bonds, and 30-year US dollar bonds in 2021; the inaugural issuance of retail green bond, and 20-year Hong Kong dollar bonds in May 2022; and the issuance of the largest batch of ESG bonds in Asia in January 2023.

(b) Implementing financial support measures

In 2018, we launched the Pilot Bond Grant Scheme and Green Bond Grant Scheme respectively to attract eligible issuers to issue bonds in Hong Kong. Under the 2 schemes, 134 applications were approved, involving a total underlying bond issuance of about US$47.3 billion. In May 2021, we consolidated the 2 aforementioned grant schemes and launched a new Green and Sustainable Finance Grant Scheme (the Scheme) to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As of end-February 2023, the Scheme has granted more than $160 million to over 210 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of nearly US$70 billion.

(c) Setting up the Steering Committee on Bond Market Development in Hong Kong

In 2021, the Steering Committee on Bond Market Development in Hong Kong chaired by the Financial Secretary and comprising members from the Financial Services and the Treasury Bureau, financial regulators and market experts was set up. To formulate a roadmap for promoting the diversified development of Hong Kong's bond market, the Steering Committee reviewed the situation of Hong Kong's bond market and released a report in August 2022, setting out 3 strategic directions and a series of detailed recommendations, aimed at leveraging the opportunities presented by the Mainland market and new global trends, upgrading infrastructure to attract business and resources, and promoting social and financial inclusion and facilitating participation of retail investors. We are progressively implementing those recommendations.

(d) Extending the profits tax exemption coverage for debt instruments

The Shenzhen Municipal People's Government (Shenzhen Government) issued RMB5 billion of offshore RMB municipal government bonds in Hong Kong in 2021, which was the first time that a Mainland municipal government issued offshore bonds. In 2022, the People's Government of Hainan Province issued its first offshore RMB bonds in Hong Kong, and the Shenzhen Government issued bonds in Hong Kong for the second time. In 2022, we implemented the Exemption from Profits Tax (Shenzhen Municipal People's Government Debt Instrument) Order (Cap. 112DP) to exempt the interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Government from the payment of profits tax. To support and facilitate more Mainland local governments to issue bonds in Hong Kong, we have made the Exemption from Profits Tax (Debt Instrument Issued by Mainland Local People's Government at Any Level) Order to extend the coverage of the profits tax exemption to the debt instruments issued in Hong Kong by all Mainland local people's governments at any level. This Order has come into operation from 31 March 2023.

(e) Stepping up promotion

We and financial regulators have continued to step up efforts in promoting the merits of Hong Kong's capital market to Mainland and overseas bond issuers and investors. An example is the collaboration with the Development and Reform Commission of Guangdong Province to jointly organise a seminar in September 2022 to explore the future development direction of the offshore RMB bond market in Hong Kong. The seminar provided a good platform for around 100 representatives of government authorities, financial institutions, industry organisations, trades and relevant enterprises of the 2 places to share experiences of bond issuance in Hong Kong.

Under the above measures, Hong Kong has continued to be an international bond centre in Asia. According to the International Capital Market Association, in terms of bonds issued internationally by Asia-based entities, the volume arranged by Hong Kong ranked first globally for six consecutive years since 2016, reaching a record high of US$206.8 billion and capturing 34% of the market in 2021. Hong Kong captured 63% of first-time bond issuances, well ahead of other major international financial centres.

(2)

We plan to issue no less than HK$50 billion of Silver Bond and HK$15 billion of retail green bonds in 2023-24 under the GBP and the GGBP respectively, so as to facilitate market development and at the same time offer to members of the public investment options with steady returns. As in the past, we will take full account of market conditions and relevant factors when formulating the terms of issuance, and will announce the issuance arrangements (including currency for settlement, tenor, etc.) in due course.

(3)

The GGBP, which has won considerable acclaim from international investors since its launch, has become a benchmark for issuance of green bonds in the region. We have successfully issued green bonds totalling close to US$16 billion equivalent under the GGBP so far, including the issuance of US$5.75 billion worth of green bonds in January 2023, which was the largest ESG bond issuance in Asia. As announced in the 2023-24 Budget, we will further expand the scope of the GGBP to cover sustainable finance projects. Sustainable bonds offer higher flexibility in terms of fund application and structure, etc. We are formulating the implementation details and will make the announcement in due course.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)127

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2577)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau is responsible for boosting the issuance and trading of Renminbi (RMB) securities in Hong Kong. In this connection, please inform this Committee of the following:

1. What are the resources allocated, major work carried out and major achievements made by the Bureau in this regard in the past 3 years?
2. Has the Bureau formulated specific plans, roadmaps and timetables to fully leverage Hong Kong's strength as an offshore RMB business hub, expedite the efforts to promote the liquidity of RMB financial assets, and facilitate trading in the RMB-denominated asset markets, thereby reducing the foreign exchange risk posed to the market by Hong Kong dollar being continuously linked to the US dollar? If yes, what are the details? If no, what are the reasons?
3. Has the Bureau reviewed the Cross-boundary Wealth Management Connect and Southbound Trading, etc.? Are there any specific enhancement plans and implementation timetables such as the plan to further expand the scope of eligible investment products to include green and virtual products and realise the synergistic development of green finance and the internationalisation of RMB, thereby bringing sustainable economic benefits for Hong Kong as well as diversifying and facilitating cross-boundary trading of RMB-denominated products in Hong Kong and China? If yes, what are the details? If no, what are the reasons?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 21)

Reply:

(1)

With the gradual implementation of the new "dual circulation" development paradigm, there is increasing utilization of Renminbi (RMB) internationally. According to the "RMB Internationalization Report 2022" published by the People's Bank of China, cross-border RMB settlement has continued to grow, and cross-border two-way investment activities has remained dynamic. The fundamental policy framework of cross-border RMB investment, financing and settlement continued to improve. As stated in the report to the 20th National Congress, our country will promote the internationalisation of RMB in an orderly way. Hong Kong is the world's largest offshore RMB hub, with solid foundation to further strengthen RMB business and contribute to RMB internationalisation, while at the same time promote the bilateral investment flows between the 2 places.

The Government has all along strived to promote the development of offshore RMB business in Hong Kong, so as to further consolidate Hong Kong's status as an offshore RMB business hub. Over the past few years, a number of mutual market access schemes have been launched, including Stock Connect, Bond Connect and Cross-boundary Wealth Management Connect (WMC) in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), etc., actively strengthening the offshore application of RMB and its function as an investment currency, while contributing to the high quality opening-up of the Mainland's capital markets to the rest of the world. Specific progress is set out below:

- Offshore RMB deposits amounted to nearly RMB 1 trillion in total as at end of 2022. Around 75% of offshore RMB settlement globally were processed in Hong Kong.

- Hong Kong has put in place mechanisms to issue a diversified range of RMB-denominated securities products including stocks, bonds, exchange-traded funds (ETF), real estate investment trusts (REIT), futures and warrants, etc.

- The average daily buy and sell trade values of Northbound Trading and Southbound Trading of Stock Connect has surged from RMB 5.58 billion and HKD 0.93 billion in 2014, to RMB 97.43 billion and HKD 43.71 billion respectively, representing an increase of 16 times and 46 times. The average daily buy and sell trade values of northbound and southbound trade accounted for 6.2% and 15.6% of the securities markets of the 2 places in January 2023 respectively, up from 0.7% and 0.5% in 2014.

- Since the launch of Stock Connect, its Northbound Trading has brought a net inflow of RMB 1,860 billion to the Mainland stock market; its Southbound Trading has brought a net inflow of over HKD 2,570 billion to the Hong Kong stock market.

- RMB bonds issued in Hong Kong has increased by 25 times from RMB 10 billion in 2007 to RMB 263.4 billion in 2022.

- The turnover of Northbound Trading of Bond Connect in 2022 exceeded RMB 8,000 billion, an increase of about 28 times from RMB 276.0 billion in 2017.

(2)

The Government is actively promoting the issuance and trading of RMB stocks in Hong Kong. We believe relevant measures will promote the liquidity of RMB as an international currency for investment and cater for the escalating demands from global investors for RMB asset allocation. The Financial Services and the Treasury Bureau is working with the Securities and Futures Commission, the Hong Kong Exchanges and Clearing Limited (HKEX) and the Hong Kong Monetary Authority to proceed with the enhancement in the trading mechanism of dual-counter stocks, so as to address the price discrepancy between HKD and RMB counters of the same stock. Specifically, the Government has amended the law to exempt the stamp duty payable for transactions relating to dual-counter stock made by market makers, to support the upcoming launch of dual-counter market maker (DCMM) regime by HKEX. Through providing continuous quotes and responses to quotes at the counter at RMB counter, the regime would facilitate investors to trade at their preferred prices and hence promote price efficiency. At the same time, the DCMMs can conduct arbitrage transactions between the 2 counters of the same stock, so that the prices of the 2 counters will converge over a long-term horizon. The Government and HKEX have also maintained close communication with listed issuers to assist them in setting up RMB trading counters. Around 20 issuers have indicated that they would give favourable considerations to setting up RMB counters in addition to HKD counters following the introduction of the DCMM regime, some of which have already submitted applications to HKEX. Separately, the China Securities Regulatory Commission announced in September 2022 to study setting up an RMB securities trading counter under Southbound Trading of Stock Connect. The Government and financial regulators are collaborating closely with the Mainland with a view to implementing the initiative promptly.

Under the staunch support of our country and the proactive efforts of the Hong Kong Special Administrative Region (HKSAR) Government, Hong Kong has developed into an international bond centre and a green and sustainable finance hub in Asia. On RMB bonds, apart from the regular annual issuance of sovereign bonds by the Ministry of Finance in Hong Kong since 2009, the Shenzhen Municipal People's Government (Shenzhen Government) issued RMB5 billion of offshore RMB municipal government bonds in Hong Kong in 2021, which was the first time that a Mainland municipal government issued offshore bonds. In 2022, the People's Government of Hainan Province issued its first offshore RMB bonds in Hong Kong, and the Shenzhen Government issued bonds in Hong Kong for the second time. Bond types of the issuances by the 2 aforementioned Mainland local governments included green bonds, blue bonds and sustainable bonds, further enriching the range of RMB financial products available in the Hong Kong market and promoting RMB internationalisation while testifying to the strengths of Hong Kong as a green finance platform. In accordance with the Exemption from Profits Tax (Shenzhen Municipal People's Government Debt Instrument) Order (Cap. 112DP) effective since March 2022, the interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Government is exempted from the payment of profits tax. To support and facilitate more Mainland local governments to issue bonds in Hong Kong, we have made the Exemption from Profits Tax (Debt Instrument Issued by Mainland Local People's Government at Any Level) Order to extend the coverage of the profits tax exemption to the debt instruments issued in Hong Kong by all Mainland local people's governments at any level. This Order has come into operation from 31 March 2023.

The WMC has been growing steadily since its launch in September 2021. Currently, 24 eligible Hong Kong banks have commenced WMC services with their respective Mainland partner banks. According to the statistics published by the People's Bank of China, as of February 2023, over 43 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in the WMC and cross-boundary fund remittances amounting to over RMB 2.6 billion had been recorded. The aggregate quota usage under the Southbound Scheme and Northbound Scheme (covering Hong Kong and Macao) was over RMB 430 million and over RMB 270 million respectively (quota usage calculated on a net cross-boundary remittance basis). The Government and relevant financial regulators have been closely monitoring the operation of the WMC. Taking into account actual operational experience and market feedback, and following the principle of "incremental approach with proper risk controls", we will continue the close liaison with the Mainland authorities and stakeholders to explore enhancement measures, including expanding the scope of participating institutions and eligible products. The enhancement measures will be introduced once they are ready.

With more offshore investors increasing their RMB asset allocations, there is also a surge in the demand for derivatives in managing RMB interest rate risk. HKEX launched the MSCI China A50 Connect Index Futures in 2021, providing a hedging tool for offshore investors participating in the Mainland A-shares market. Relevant regulators and market institutions of the 2 places are working closely on the preparatory work with a view to implementing Swap Connect in good time, thereby providing a convenient and secure channel for global investors to manage interest rate risks for RMB bonds, and creating a synergy with Bond Connect. Separately, the Government, the SFC and HKEX have commenced discussions with the relevant Mainland institutions on the details of issuing Mainland government bond futures in Hong Kong. Coupled with the Swap Connect to facilitate offshore investors to hedge against the risks of interest rate fluctuations in RMB assets, it will promote the liquidity and minimise the spread in the Mainland bond market. The above measures should help facilitate Hong Kong develop into a more comprehensive offshore RMB hub and risk management centre.

(3)

Looking ahead, the Government and the regulators will continue to explore with relevant Mainland authorities other proposals on expansion of mutual market access and enhancement arrangements, with a view to furthering the interaction and integration of capital markets in the 2 places. The regulators will make announcements to the market in due course. At the same time, we will continue to seize the opportunities brought by the mutual market access programme and the GBA development, propelling the development of offshore RMB products and green and sustainable finance, including promoting the issuance of offshore RMB green bonds and supporting the development of Hong Kong's offshore RMB infrastructure and facilities, such that Hong Kong financial institutions can expand their business in RMB and green and sustainable finance, strengthening Hong Kong's function as a firewall and testing ground.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)128

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2678)

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:	Financial Secretary and Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 66 of the Budget Speech that "In his 2022 Policy Address, the Chief Executive proposed to establish the Hong Kong Investment Corporation Limited (HKIC) to optimise the use of fiscal reserves for promoting the development of the economy and industries. The HKIC enhances our ability to attract enterprises and investment, and facilitates industrial co-operation between Hong Kong and our sister cities in the GBA. The HKIC has commenced operation and is identifying quality partners to make strategic investments in a timely manner." In this connection, will the Government inform this Committee of the following:

- Some described the Hong Kong Growth Portfolio as the "Hong Kong version of Temasek". A provision of $5 billion was allocated respectively to set up the Strategic Tech Fund and the Greater Bay Area (GBA) Investment Fund. What are the future investment directions and specific strategies of these two funds?

- As an important pillar for the research and development as well as commercialisation of innovative technologies, traditional industries like the textiles and clothing industry have been actively upgrading and restructuring their operations. The Financial Secretary Paul Chan also stated last year 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. Will the Future Fund and the Hong Kong Growth Portfolio consider or invest in well-established traditional industry projects, so as to expedite the pace of upgrading and restructuring traditional industries?

- As mentioned by the Government, at the initial operational stage of the HKIC, the Hong Kong Monetary Authority will render support on investment, logistics and operational matters. The HKIC will gradually expand its management team as business develops. What is the estimated annual operating expenditure of the HKIC? Is the expenditure involved to be borne by the Government? What is the progress in setting up the management team of the HKIC?

- What are the specific investment strategies and investment criteria the Board of Directors of the HKIC will base on when making decisions on investment projects? Which industries will be classified as "strategic industries"?

Asked by: Hon TAN Sunny (LegCo internal reference no.: 44)

Reply:

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The Corporation will manage the Hong Kong Growth Portfolio (HKGP), the Greater Bay Area Investment Fund and the Strategic Tech Fund established under the Future Fund, as well as the newly established Co-Investment Fund (CIF). The initial allocation to the Corporation for management amounts to $62 billion. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth, with a view to creating more quality career development opportunities for people and promoting the cooperation of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and fostering mutual development.

On 15 February 2023, the Government announced the membership of the Corporation's Board of Directors (Board). The Board will formulate the Corporation's investment strategies and mandate with reference to the above policy objectives, including devising appropriate investment strategies as well as procedures and criteria in sourcing investment partners or targets according to the different focuses of funds under its management.

At the initial stage of the Corporation's operation, the Hong Kong Monetary Authority (HKMA) will render support on investment, logistics and operational matters. Relevant work would be absorbed by the existing manpower within the HKMA. After the Corporation has built its management team, relevant expenses will be borne by the funds managed by the Corporation.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)129

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0914)

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 promote the issuance and trading of Renminbi securities in Hong Kong as well as the development of Hong Kong's bond market. Under the prevailing financial environment, the interest rate of US bonds remains high while that of Renminbi-denominated bonds is relatively stable. This serves as an opportune time for Hong Kong to vigorously develop Renminbi dim sum bond market. Please advise this Committee of the following:

1) What is the current development of Renminbi dim sun bond market?
2) What are the difficulties of developing Renminbi dim sum bond market and the relevant solutions? How are financial resources allocated?
3) Are there sufficient risk hedging instruments in the dim sum bond market?

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 1)

Reply:

(1)

The offshore Renminbi (RMB) bond market in Hong Kong has been developing steadily since the issuance of the first batch of offshore RMB bonds (also known as Dim Sum Bonds) by China Development Bank in Hong Kong in 2007. In recent years, the offshore RMB bond issuances in the Hong Kong market have been active. The issuance volume reached RMB143.4 billion in 2022, with an increase of over 30% year-on-year, marking a record high in the past 8 years. Issuers have also become more diversified. Apart from the regular annual issuance of sovereign bonds by the Ministry of Finance in Hong Kong since 2009, the Shenzhen Municipal People's Government (Shenzhen Government) issued RMB5 billion of offshore RMB municipal government bonds in Hong Kong in 2021, which was the first time that a Mainland municipal government issued offshore bonds. In 2022, the People's

Government of Hainan Province issued its first offshore RMB bonds in Hong Kong, and the Shenzhen Government issued bonds in Hong Kong for the second time. Bond types of the issuances by the 2 aforementioned Mainland local governments included green bonds, blue bonds and sustainable bonds. In addition, more local and overseas enterprises and financial institutions have issued offshore RMB bonds in Hong Kong, further enriching the range of RMB financial products available in the Hong Kong market and promoting RMB internationalisation, while testifying to the strength of Hong Kong as a green finance platform.

(2)

We are committed to facilitating more Mainland entities to issue offshore bonds in Hong Kong, through a multi-pronged approach. Specific measures are set out below.

(a) Enhancing the relevant policy support measures

In accordance with the Exemption from Profits Tax (Shenzhen Municipal People's Government Debt Instrument) Order (Cap. 112DP) effective since March 2022, the interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Government is exempted from the payment of profits tax. To support and facilitate more Mainland local governments to issue bonds in Hong Kong, we have made the Exemption from Profits Tax (Debt Instrument Issued by Mainland Local People's Government at Any Level) Order to extend the coverage of the profits tax exemption to the debt instruments issued in Hong Kong by all Mainland local people's governments at any level. This Order has come into operation from 31 March 2023.

The Hong Kong Monetary Authority has also since 2021 expanded the list of eligible collateral for the RMB Liquidity Facility to include RMB, USD and Euro denominated debt securities issued in offshore markets by the Mainland local people's governments at any level.

(b) Expanding mutual market access

We will continue to leverage Southbound Trading under Bond Connect launched since September 2021 to facilitate Mainland institutional investors to deploy foreign bond assets through Hong Kong and enhance the attractiveness of Hong Kong's bond platform.

We have also amended the legislation in June 2022 to facilitate investment by Mandatory Provident Fund funds in debt securities issued or unconditionally guaranteed by the Central People's Government, the People's Bank of China, and the 3 Mainland policy banks.

(c) Providing financial support

We launched in May 2021 the three-year Green and Sustainable Finance Grant Scheme with a total provision of $255 million to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As of end-March 2023, we have granted close to $170 million to over 220 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance (including RMB-denominated debt instruments) of over $560 billion.

(d) Stepping up promotion

We have been maintaining close liaison with the Mainland to actively promote Hong Kong's bond platform. An example is the collaboration with the Development and Reform Commission of Guangdong Province to jointly organise a seminar in September 2022 on examining the expansion of the offshore RMB bond market and leveraging bond financing to support the development of the Greater Bay Area, as well as exploring the future development direction of the offshore RMB bond market in Hong Kong. The seminar provided a good platform for around 100 representatives of government authorities, financial institutions, industry organisations, trades and relevant enterprises of the 2 places to share experiences of bond issuance in Hong Kong, and exchange views on the internationalisation of RMB and the development prospect of the Mainland local governments in the Guangdong-Hong Kong-Macao Greater Bay Area.

(3)

To address the risk management needs for investments in RMB bonds, we have been proactively introducing more diversified risk management products. The regulators and infrastructure institutions in Hong Kong and the Mainland are collaborating closely to complete preparations for Northbound Trading of Swap Connect. Initially, interest rate swaps would be eligible while other products would be included in due course depending on market conditions. Depending on the operation experience and actual market demand after implementation, we will explore the feasibility of Southbound Trading in due course, facilitating Mainland investors to manage interest rate risks for investing in Dim Sum bonds. In addition, we are also actively taking forward the issuance of Mainland government bond futures in Hong Kong. We will continue to enrich the choices of risk management tools in a gradual manner with a view to developing Hong Kong into a more comprehensive offshore RMB and risk management centre.

Policy coordination work concerned undertaken by the Financial Services Branch is absorbed by existing resources. Apart from the subsidy scheme mentioned in (2)(c), there is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)130

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2053)

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 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 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 the Financial Practitioners FinTech Training Programme;

3) whether the Government has, in connection with nurturing and training sustainable development and Fintech talents, established a regular co-operation mechanism with the tertiary institutions to effectively propel the strength of resources in Hong Kong academia; and

4) whether the Government has considered promoting transformation at the senior corporate management levels, such as introducing the Green Finance and Sustainable Development Leadership Programme and the Fintech Leadership Programme, to nurture sustainable development and Fintech talents in the middle and senior levels?

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 2)

Reply:

(1) We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme with a total provision of $200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to

$10,000. Based on the estimation with regard to the total provision and subsidy amount, we expect that around 20 000 participants will be benefitted.

(2) We launched 2 rounds of Financial Practitioners Fintech Training Programme in 2020 and 2022, with a view to enhancing financial practitioners' knowledge of the practical application of Fintech, and promoting the digital transformation of financial services. The total allocation for the two-round programme was $5 million. In the second round launched in the second half of 2022, about 670 and 690 practitioners from the securities and insurance sectors have participated in the webinar series respectively. In addition, 2 and 1 organisations from the securities and insurance sectors have organised subsidised Fintech training for their practitioners respectively under the scheme, benefiting a total of around 2 130 and 440 practitioners in the respective sectors so far.

(3) On Fintech development, currently many local universities and the Vocational Training Council have provided 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. The University Grants Committee has launched the "Targeted Taught Postgraduate Programmes Fellowships Scheme" for 5 cohorts which includes Fintech-related courses, providing fellowships to meritorious local students pursuing designated postgraduate programmes in priority areas conducive to the development of Hong Kong. We would liaise with the sector regularly (including the academic sector) and cooperate 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, established by the Green and Sustainable Finance Cross-Agency Steering Group (with members from relevant Government policy bureaux and the financial regulators), has set up working groups comprising members from the academia and the industry to develop strategies to promote capacity building and enhance data analytics capability. We will continue to leverage the resources of local universities in supporting the development of young talents and capacity building of the industry, and strengthen collaboration particularly in areas of green and sustainable finance related data and analytics tools.

(4) Apart from launching the Pilot Scheme on Training Subsidy for Fintech Practitioners and the Pilot Green and Sustainable Finance Capacity Building Support Scheme last year, we will also maintain close liaison with the industry, and formulate appropriate strategies taking into account the effectiveness, industry feedback and market developments. For example, the Hong Kong Academy of Finance (AoF)'s Leadership Development Programme aims to foster leadership and broaden the global and inter-disciplinary perspectives of financial practitioners. Under this programme, the AoF organises activities from time to time such as inviting distinguished leaders from Hong Kong and overseas to share their insights with senior management and practitioners of the financial industry on topics including sustainable development and Fintech; organising Thematic Programme on Fintech and Digitalisation; and holding a panel discussion on "Digital Economy Development in China" in last year's Annual International Conference on the Chinese Economy, so as to enable senior management

and practitioners of the financial industry to keep abreast of the related developments. Besides, the AoF's flagship Financial Leaders Programme is designed to nurture senior financial leaders to sustain and propel the long-term development of Hong Kong's financial industry. The modules of the programme include "Green Finance and Environmental, Social and Governance (ESG)" and "Fintech and Innovation".

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)131

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2666)

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 development of the wealth management sector and the insurance industry, please inform this Committee of the following:

1) Is Hong Kong's wealth management sector, with its offer of tax concessions and backing from the Mainland's growing demand for cross-boundary wealth management, competitive when compared with its counterparts in other places like Singapore?

2) Will consideration be given to expanding the current scope of the Cross-boundary Wealth Management Connect?

3) The Mainland insurance industry has seen rapid development in recent years, and legislation on new regulatory standards is being prepared for the insurance industry. Under the circumstances, can Hong Kong's insurance industry keep its edge over its Mainland counterpart?

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 3)

Reply:

(1)

As of end-2021, the asset and wealth management business of Hong Kong amounted to HK$35.5 trillion, with 65% of the funding sourced from non-Hong Kong investors. Hong Kong's private equity capital under management as of end-2022 amounted to US$208.3 billion, ranking second in Asia. Hong Kong is also Asia's largest hedge fund hub and cross-border wealth management centre.

The Government is actively taking forward a series of measures to further strengthen Hong Kong's status as the asset and wealth management hub in Asia. Among others, we introduced the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (the Bill) into the Legislative Council (LegCo) in December 2022, which proposes to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices in Hong Kong. Upon LegCo's passage of the Bill, the tax exemption will be applicable to any years of assessment commencing on or after 1 April 2022. This will significantly enhance Hong Kong's competitiveness in providing tax concessions to attract family office business, and will, coupled with Hong Kong's simple tax regime (e.g. no capital gains tax) and capital market as closely connected to the Mainland and the world, bring increased business opportunities for the asset and wealth management sector.

(2)

Cross-boundary Wealth Management Connect in the Guangdong-Hong Kong-Macao Greater Bay Area (WMC) has been growing steadily since its launch in September 2021. The Government and relevant financial regulators have been closely monitoring the operation of WMC. Taking into account actual operational experience and market feedback, and following the principle of "incremental approach with proper risk controls", we will continue the close liaison with the Mainland authorities and stakeholders to explore enhancement measures, including expanding the scope of participating institutions and eligible products. The enhancement measures will be introduced once they are ready.

(3)

The Government is dedicated to consolidating Hong Kong's competitive advantages as a global risk management centre, in order to function as both "promotor" and "facilitator" in the national "Dual Circulation" strategy. We issued in December 2022 the Development Roadmap for the Insurance Sector in Hong Kong to outline relevant policy measures: to promote Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development in the internal circulation, including to strive for establishment of insurance after-sales service centres in places such as Nanshan and Qianhai in the near future, and to further explore mutual access of insurance markets on this foundation; in terms of external circulation, to implement market development measures such as supporting issuance of insurance-linked securities (ILS) and offering profits tax concession for selected insurance businesses, which would assist the country in expanding risk management channels as well as enhance connectivity with Mainland and international markets.

Review and refinement of our supervisory regime by benchmarking against prevailing international standards is vital in ensuring that our insurance sector may effectively connect with the Mainland and global markets. We are working towards implementing in 2024 a risk-based capital regime that comprises the 3 pillars of quantitative assessment, corporate governance and disclosure, aligning capital requirements with the risk profile and asset-liability matching of insurers, making our regulatory regime more comprehensive. This will also align the regulatory requirements on the Hong Kong insurance industry more closely with those in the Mainland, European Union, the UK, Singapore, etc., thereby strengthening Hong Kong's position as an international risk management centre. We have also provided flexibility after taking into consideration the actual situation of the insurance industry and the operational needs of various types of insurance companies. For instance, in relation to some requirements on appointment of actuary, we suggest empowering the Insurance Authority to exempt smaller scale insurance companies carrying on general business, with a view to striking a balance between prudent regulation and strengthening competitiveness of our market.

On market development, we support the Hong Kong insurance industry in offering a greater diversity of products and solutions to assist our country and global market players in comprehensive risk management. For instance, we implemented in 2021 a dedicated regulatory regime and pilot grant scheme for the ILS, and have since attracted successive issuances of catastrophe bonds in Hong Kong by Mainland and overseas institutions. There have thus far been 4 catastrophe bonds issued, with total amount reaching HK$ 4.4 billion, providing protection from losses inflicted by natural catastrophes such as typhoons and earthquakes. Such developments promote the building up of a vibrant market ecosystem, and also demonstrate the strengths of Hong Kong in becoming a leading international risk management centre.

We will leverage on unique advantages under the “One Country, Two Systems” principle and encourage the insurance sector to seize opportunities for integration into national development, while continuing to enhance 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 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, so as to ensure that our regulatory regimes and compliance requirements move with the times, thereby complementing market expansion and industry development.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)132

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2542)

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 promotion of Hong Kong's efforts in implementing the National 14th Five-Year Plan, the Belt and Road Initiative and the initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area development in respect of the financial services sector, will the Bureau inform this Committee of the content of and the government departments in the Mainland, timetables, estimated expenditures and staff establishment involved in the relevant work in the past 3 years, as well as the content of the work completed and in progress?

Asked by: Hon TANG Fei (LegCo internal reference no.: 29)

Reply:

The development of Hong Kong's financial services industry has strong support from the Central People's Government (CPG). 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" supports 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; and supports the 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 "Outline Development Plan for the GBA" affirms and supports Hong Kong's status as an international financial centre, a global offshore RMB business hub, an international asset management centre and a risk management centre. It also supports the development of Hong Kong as a green finance centre in the GBA and a platform for investment and financing under the Belt and Road initiative.

On 21 March 2023, the HKSAR Government and the People's Government of Guangdong Province held the 23rd Plenary of the Hong Kong/Guangdong Co-operation Joint Conference in Hong Kong to jointly take forward further co-operation in various areas, including continuing to join hands in contributing to the high-quality development of the GBA, deepening the reform of the country's financial markets, and promoting mutual access between the financial markets of the 2 places. To promote deepened financial co-operation between both places, the 2 places signed the "Agreement on Enhancing Hong Kong-Guangdong Financial Co-operation" after the meeting that day.

Under the "dual circulation" new development strategy of our country, by leveraging the unique advantages of Hong Kong's financial system under "one country, two systems" and the enormous opportunities presented by the GBA development and the Belt and Road Initiative, we and the financial regulators are committed to enhancing Hong Kong's competitiveness in financial services and strengthening mutual capital market access between the Mainland and Hong Kong, with a view to contributing to the high-quality economic development and opening up of the country, as well as opening up a broader market for the financial sector.

Key work progress in the past three years includes the following –

(i) Mutual capital market access: Mutual access between the financial markets in Hong Kong and the Mainland have thrived over the past few years and achieved various breakthroughs, including commencement of Southbound trading of Bond Connect, launch of the offshore A- share index futures in Hong Kong, inclusion of Exchange-traded Funds under Stock Connect, etc. The average daily buy and sell trade values of Northbound Trading and Southbound Trading of Stock Connect have surged from RMB5.58 billion and HKD0.93 billion in 2014, to RMB97.43 billion and HKD43.71 billion respectively, representing an increase of 16 times and 46 times. They accounted for 6.2% and 15.6% of the trade values of securities markets in the 2 places in January 2023 respectively, up from 0.7% and 0.5% in 2014. The turnover of Northbound Trading of Bond Connect in 2022 also exceeded RMB8,000 billion, an increase of about 28 times from RMB276.0 billion in 2017.

We are closely collaborating with relevant Mainland authorities so as to promptly implement the measures supported by regulators in the 2 places. Notably, exchanges in Shanghai, Shenzhen and Hong Kong implemented the expansion of scope of eligible stocks under Stock Connect on 13 March 2023, including the addition of eligible stocks of foreign companies under Southbound Trading. Meanwhile, technical preparation work by relevant institutions in the 2 places for implementing Northbound Trading of Swap Connect is in full swing, so as to commence trading as soon as practicable. We and the regulators will continue to explore with relevant Mainland authorities other proposals on expansion of mutual market access and enhancement arrangements, with a view to furthering the interaction and integration of capital markets in the 2 places.

(ii) Offshore RMB business: With the CPG's support, Hong Kong continues to be the global offshore RMB business hub. As of end-2022, the RMB deposits (including outstanding Certificates of Deposit) in Hong Kong was nearly RMB1 trillion. According to the Society for Worldwide Interbank Financial Telecommunication, about 75% of global offshore RMB payments are processed in Hong Kong. The Shenzhen Municipal People's Government (Shenzhen Government) issued RMB5 billion of offshore RMB municipal government bonds in Hong Kong in 2021, which was the first time that a Mainland municipal government issued offshore bonds. In 2022, the People's Government of Hainan Province (Hainan Government) issued its first offshore RMB bonds in Hong Kong, and the Shenzhen Government issued bonds in Hong Kong for the second time, further enriching the range of

RMB financial products available in the Hong Kong market and promoting RMB internationalisation. We made the Exemption from Profits Tax (Shenzhen Municipal People's Government Debt Instrument) Order (Cap. 112DP), effective from March 2022, to exempt the payment of profits tax for the interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Government. To support and facilitate more Mainland local governments to issue bonds in Hong Kong, we have further made the Exemption from Profits Tax (Debt Instrument Issued by Mainland Local People's Government at Any Level) Order to extend the coverage of the profits tax exemption to the debt instruments issued in Hong Kong by all Mainland local people's governments at any level. This Order has come into operation from 31 March 2023.

The People's Bank of China (PBOC) and the Hong Kong Monetary Authority (HKMA) announced in July 2022 enhancements to the existing currency swap agreement. As a long-standing currency swap agreement since then, its size has been expanded to RMB800 billion / HKD940 billion, differentiating Hong Kong from other jurisdictions in terms of being the only one whose agreement is not subject to renewal, and also having the largest swap size.

In January 2023, the Legislative Council passed the Stamp Duty (Amendment) Bill 2022 to exempt the stamp duty payable for certain transactions by dual-counter market makers (DCMMs). To boost the issuance and trading of RMB securities in Hong Kong, the Hong Kong Exchanges and Clearing Limited will introduce a DCMM regime in the first half of 2023 to promote the liquidity of RMB-denominated stocks and price efficiency as well as to tie in with the setting up of RMB trading counters by issuers.

(iii) <u>Asset and wealth management</u>: We have made various efforts to enhance the competitiveness of Hong Kong's asset and wealth management industry, including diversifying fund structures, providing a more facilitating tax environment, expanding the fund distribution network, promoting the real estate investment trust market, providing subsidies, and fostering the development of Hong Kong's family office business.

Cross-boundary Wealth Management Connect (WMC) was formally launched in September 2021, enabling residents in Hong Kong, Macao and nine cities in the Guangdong Province to carry out cross-boundary investment in wealth management products distributed by banks in the GBA. According to the statistics published by the PBOC, as of February 2023, over 43 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in the WMC and cross-boundary fund remittances amounting to over RMB2.6 billion had been recorded. The aggregate quota usage under the Southbound Scheme and Northbound Scheme (covering Hong Kong and Macao) was over RMB430 million and over RMB270 million respectively (quota usage calculated on a net cross-boundary remittance basis). We and relevant financial regulators have been closely monitoring the operation of the WMC. Taking into account actual operational experience and market feedback, and following the principle of "incremental approach with proper risk controls", we will continue the close liaison with the Mainland authorities and stakeholders to explore enhancement measures, including expanding the scope of participating institutions and eligible products. The enhancement measures will be introduced once they are ready.

In September 2022, the Shenzhen Qianhai Authority and the HKSAR Government jointly promulgated the 18 Measures for Supporting the Linked Development of Shenzhen and Hong Kong Venture Capital Investments in Qianhai with a view to providing facilitation and preferential policies for the Hong Kong private equity industry. At the same time, the measures will promote cooperation on innovation and technology (I&T) between Hong Kong and Shenzhen, and leverage finance to foster the development of an international I&T hub in the GBA. Going forward, we will explore with Qianhai more opportunities for financial development, such that the 2 cities can serve as dual engines in the GBA.

(iv) Risk management and development of insurance industry: We are dedicated to strengthening Hong Kong's position as a global risk management centre for participating in the development of the GBA as well as connecting with the Mainland and global markets under the national "dual circulation" strategy. To this end, we issued in December 2022 the Development Roadmap for the Insurance Sector in Hong Kong, outlining relevant visions and policies which include taking forward legislative amendments in recent years to (i) enhance the framework for group-wide supervision and designating in May 2021 three international insurance groups subject to regulation, positioning Hong Kong as an ideal base for insurance groups operating in the Asia Pacific region; (ii) expand the scope of insurance risks of captive insurers set up in Hong Kong, so that enterprises may expand overseas business operations with the support of focused and effective corporate risk management solutions offered in Hong Kong; and (iii) offer half-rate profits tax concessions for specified insurance businesses including marine insurance and general reinsurance, which would encourage underwriting specialty risks relating to investment projects such as those under the Belt and Road Initiative.

To meet Hong Kong and international investors' strong demand for risk management tools for Mainland assets, we have been proactively strengthening the offshore RMB risk management business and expanding the suite of relevant financial derivatives products. The trading volume of the MSCI China A-share index futures contract has been on the rise since its launch in October 2021, which rose from around 1 400 contracts on the first trading day to the daily average of over 10 000 contracts in February 2023. Moreover, further to the listings of the first batch of Exchange-traded Funds that track the MSCI China A50 Connect Index in end-2021, the first batch of A-share structured products, the MSCI China A50 Connect Index derivatives warrants, were listed in August 2022, providing the market with a new risk management tool for A-share investment and further consolidating Hong Kong's role as an offshore A-share risk management centre. In February 2023, their turnover reached over HKD145 million.

We also established a dedicated regulatory regime for insurance-linked securities (ILS) and launched the Pilot ILS Grant Scheme in 2021, thus far facilitating issuance of four catastrophe bonds in Hong Kong with total amount reaching HKD4.4 billion, providing protection for losses inflicted by typhoons and earthquakes in the Mainland and overseas areas. It was announced in the 2023-24 Budget that the Grant Scheme would be extended for 2 years, with a view to attracting more issuing institutions and professional talents, and assisting our country in expansion of channels for risk diversification and management.

To enhance mutual access of insurance markets in the GBA, we are striving for the establishment of insurance after-sales service centres by the Hong Kong insurance industry in places such as Nansha and Qianhai, with a view to providing GBA residents who are holders of Hong Kong policies with support such as enquiries, claims and renewal of policies. Besides, we will implement the "unilateral recognition" policy for cross-boundary motor insurance to tie in with the Quota-free Scheme for Hong Kong Private Cars Travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge, so that owners of relevant Hong Kong private vehicles can arrange more conveniently the necessary insurance coverage for driving in the Mainland.

(v) 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 (the Scheme) to encourage more Mainland entities to use Hong Kong's platform for green and sustainable investment, financing and certification. The Scheme was launched in May 2021 and will last for three years with a total grant amount of HKD255 million. As of end-March 2023, the Scheme has granted close to HKD170 million to more than 220 green and sustainable debt instruments issued in Hong Kong, covering green bonds, sustainability bonds, green loans, sustainability-linked loans, etc., involving a total underlying debt issuance of over HKD560 billion.

The offshore RMB municipal government bonds issued by the Shenzhen Government and the Hainan Government in 2021 and 2022 in Hong Kong include green bonds, blue bonds and sustainability bonds. These issuances have demonstrated Hong Kong's strength as a green financing platform and attracted international capital to support the country's sustainable development.

The Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding (MoU) with the Guangzhou Futures Exchange 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 such areas as clearing, technology, marketing and investor education. HKEX further 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 carbon centre in the GBA, and working together to share research and experience on carbon market financing and global carbon market standards, to assist in the internationalisation of the Mainland's carbon market. HKEX subsequently launched a new international carbon marketplace Core Climate in October 2022, which is currently the only carbon marketplace that offers HKD and RMB settlement for the trading of international voluntary carbon credits. We and HKEX will continue to work with stakeholders (including relevant Mainland authorities) to explore climate-related opportunities and support the development of the carbon ecosystem, including expanding Hong Kong's products and services suite and enhancing the trading mechanism and infrastructure as well as exploring standards development, with a view to building Hong Kong into a leading carbon trading hub.

(vi) Financial technology (Fintech): Hong Kong has established a one-stop platform with the Mainland for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech initiatives, speeding up the launch of products and reducing development costs. The initiatives concerned include cross-boundary account enquiry service, cross-boundary remittance automatic add value application, cross-boundary remote account opening services and services related to the WMC. In addition, the HKMA and the PBOC are conducting technical pilot testing in Hong Kong on the use of e-CNY in cross-boundary payments, which will offer an additional safe, convenient and innovative means of cross-boundary retail payments to residents in Hong Kong and the Mainland, and help promote the interconnection between the 2 places.

(vii) Accounting: The Agreement Concerning Amendment to the CEPA Agreement on Trade in Services (Amendment Agreement) came into operation on 1 June 2020. The Amendment Agreement has removed the requirement that the right of control over partnership accounting firms should be held by Mainland residents. Accordingly, the requirements for Hong Kong certified public accountants (CPA) with Chinese CPA qualification to become partners of partnership accounting firms in the Mainland have been granted national treatment.

We, in coordination with the financial regulators, are continuously taking forward the above work. For the Financial Services Branch, except for the allocation for the Pilot ILS Grant Scheme and the Green and Sustainable Finance Grant Scheme, the work involved will be absorbed by existing resources and manpower and there is no itemised breakdown of expenditure.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)133

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2543)

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 Temporary Protection Measures for Business Tenants (COVID-19 Pandemic) Ordinance came into effect upon gazettal on 1 May 2022. The 3-month protection period which barred landlords from taking certain rental enforcement actions against specified sectors began on the same date and ended on 31 July 2022. The Ordinance aims to provide a short buffer period for business tenants who are in distress due to the COVID-19 epidemic, so that they will not be forced out of business as a result of legal or other rental enforcement actions taken by their landlords for their inability to pay rent immediately, while providing room for the landlords and the tenants to negotiate on the restructuring of rental arrangements. Please inform this Committee whether the Government has compiled any statistics on business tenants who needed to defer their rent payments, including the sectors and amounts involved and the number of cases by category. At the end of the protection period, how many business tenants went out of business due to their inability to pay rent? As for the interest-free loan equivalent to 3-month rent in advance offered to affected small landlords by the Government under the 100% Personal Loan Guarantee Scheme, please inform this Committee whether the Government has compiled any relevant loan statistics and the loan amount details.

Asked by: Hon TANG Fei (LegCo internal reference no.: 30)

Reply:

According to the Temporary Protection Measures for Business Tenants (COVID-19 Pandemic) Ordinance, within the "protection period" (i.e. from 1 May 2022 to 31 July 2022), landlords of specified sectors could not take certain specified actions against tenants to enforce rent. Since the landlords or business tenants concerned did not need to notify the Government of such arrangement, the Government therefore does not have the statistics on business tenants that needed to defer their rent payments. As whether business tenants decide to continue operating is a commercial decision and involves different considerations, the Government does not have the number of business tenants that went out of business due to their inability to pay rent after the end of the protection period.

For some individual landlords who relied on rental income but were affected by the rental enforcement moratorium, the Government provided interest-free loans to them through the 100% Personal Loan Guarantee Scheme. The application period for affected landlords ended on 31 October 2022. During the application period, four applications were approved, involving a total loan amount of HK$260,000.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)134

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2544)

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. Will the Bureau inform this Committee of the measures taken to assist Hong Kong's financial and professional services sectors in "entering the Greater Bay Area" in the past 3 years? What are the plans for the coming year?

2. The development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) has led to more and more exchanges between Hong Kong and the Mainland in financial, real estate and commercial matters. Will the Bureau try to obtain the approval of the relevant Mainland authorities in raising the daily limit on the amount of Renminbi that may be remitted to the Mainland by Hong Kong people doing business or living in the GBA?

Asked by: Hon TANG Fei (LegCo internal reference no.: 31)

Reply:

(1)

We attach great importance to the enormous opportunities brought by the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development to Hong Kong's financial and professional services sectors. The Central People's Government and relevant authorities have promulgated a number of important documents to deepen financial cooperation in the GBA, which are conducive to the sustainable development of Hong Kong's financial sector. Among others, the "Outline Development Plan for the GBA" proposes to leverage Hong Kong's leading position in the financial services sector, consolidate and enhance Hong Kong's status as an international financial centre, and progressively promote mutual financial market access to develop the GBA into an international financial hub.

In February 2023, the People's Bank of China (PBOC), the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, the State Administration of Foreign Exchange and the People's Government of Guangdong Province jointly promulgated the "Opinion on Providing Financial Support for the Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" (the Opinion), setting out 30 measures on financial reform and innovation, which include underscoring Qianhai's role as a pioneer in cross-boundary financial areas, supporting cooperation between the financial institutions of Shenzhen and Hong Kong, and expanding the business scope of Hong Kong's financial institutions in Qianhai. These measures benefit banks, securities firms, insurance institutions, asset management institutions, etc., bringing new opportunities to the financial institutions in Hong Kong.

On 21 March 2023, the HKSAR Government and the People's Government of Guangdong Province held the 23rd Plenary of the Hong Kong/Guangdong Co-operation Joint Conference in Hong Kong to jointly take forward further co-operation in various areas, including continuing to join hands in contributing to the high-quality development of the GBA, deepening the reform of the country's financial markets, and promoting mutual access between the financial markets of the 2 places. To promote deepened financial co-operation between both places, the 2 places signed the "Agreement on Enhancing Hong Kong-Guangdong Financial Co-operation" after the meeting that day.

Specific measures introduced in the past 3 years are as follows –

(a) <u>Deepening mutual financial market access in the GBA</u>

(i) Cross-boundary Wealth Management Connect (WMC) was formally launched in September 2021, enabling residents in Hong Kong, Macao and nine cities in the Guangdong Province to carry out cross-boundary investment in wealth management products distributed by banks in the GBA, thereby opening up a new market with business opportunities for the financial industry in Hong Kong. As of 28 February 2023, over 43 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in the WMC and over 18 000 cross-boundary fund remittances amounting to over RMB 2.6 billion had been recorded. We and relevant financial regulators have been closely monitoring the operation of the WMC. Taking into account actual operational experience and market feedback, and following the principle of "incremental approach with proper risk controls", we will continue the close liaison with the Mainland authorities and stakeholders to explore enhancement measures, including expanding the scope of participating institutions and eligible products. The enhancement measures will be introduced once they are ready.

(ii) To enhance mutual access of insurance markets in the GBA, we are striving for the establishment of insurance after-sales service centres by the Hong Kong insurance industry in places such as Nansha and Qianhai, with a view to providing GBA residents who are holders of Hong Kong policies with support such as enquiries, claims and renewal of policies. Besides, we will implement the "unilateral recognition" policy for cross-boundary motor insurance to tie in with the Quota-free Scheme for Hong Kong Private Cars Travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge, so that owners of relevant Hong Kong private vehicles can arrange more conveniently the necessary insurance coverage for driving in the Mainland.

(b) Facilitating movement of factors of production

(i) On cross-boundary capital flow, the Shenzhen Qianhai Authority and the HKSAR Government jointly promulgated the 18 Measures for Supporting the Linked Development of Shenzhen and Hong Kong Venture Capital Investments in Qianhai in September 2022 with a view to providing facilitation and preferential policies for Hong Kong's private equity industry. Measures include supporting eligible Hong Kong limited partnership funds to set up qualified investment entities in Qianhai to commence onshore investment; enhancing the entry threshold and application procedures of Qianhai Qualified Foreign Limited Partnerships (QFLPs), expanding the investment scope, and reducing the processing time. Going forward, we will explore with Qianhai more opportunities for financial development, such that the 2 cities can serve as dual engines in the GBA.

(ii) On talent movement, the Agreement Concerning Amendment to the CEPA Agreement on Trade in Services (Amendment Agreement) came into operation on 1 June 2020. The Amendment Agreement has removed the requirement that the right of control over partnership accounting firms should be held by Mainland residents. Accordingly, the requirements for Hong Kong certified public accountants (CPA) with Chinese CPA qualification to become partners of partnership accounting firms in the Mainland have been granted national treatment.

(c) Cross-boundary Fintech Innovation Platform: The Hong Kong Monetary Authority and the PBOC have signed the "Memorandum of Understanding on Fintech Innovation Supervisory Cooperation in the GBA". It allows eligible financial institutions and technology firms to conduct pilot trials of cross-boundary Fintech initiatives concurrently in Hong Kong and GBA cities through a "one-stop platform", expediting the launch of Fintech products and reducing development costs. 2 banks have already completed their pilot trials under the one-stop platform and are preparing to launch their cross-boundary services.

(2)

For corporates and institutions, there are various RMB remittance arrangements which allow cross-boundary RMB fund transfer for eligible transactions, including cross-boundary trade settlement, foreign direct investment, the Connect schemes, etc. For individuals, the prevailing RMB remittance arrangement (i.e. a daily cap of RMB 80,000 per person) mainly aims at providing convenience for Hong Kong residents' living and consumption activities in the Mainland. Since the remittance arrangement involves cross-boundary fund flow, any relaxation or adjustment is subject to various factors. We will, having regard to the actual situation and needs, continue to liaise with relevant Mainland authorities to refine the facilitation measures for cross-boundary fund flow and use of RMB.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)135

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0948)

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 103 of the Budget that the Government will issue no less than $50 billion of Silver Bond and $15 billion of retail green bonds in the next financial year, and the idea of setting up an Infrastructure Bond Scheme is proposed. There are comments that the Government must "keep promise". The biggest controversy over the Kai Tak Central Business District (CBD) lies not in the construction of Light Public Housing there but in "not keeping promise". When the Government issues bonds, the most important thing is to ensure that the bond buyers have a profit if the next tranche of bonds is to be issued. Previously, when the Government issued iBond and the bond price fell below the issue price, it triggered a mass sell-off of iBond. In this case, how can you ask the public to have confidence in buying Government bonds again?

In considering issuing bonds of large issuance sizes in the new financial year and thereafter, has the Government assessed how public confidence in Government bonds has been affected by the incident of iBond falling below issue prices and how the incident might make it impossible for the Government to issue bonds to generate "income" and hence reduce fiscal deficits as expected?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 25)

Reply:

Through issuing retail bonds, the Government facilitates market development and at the same time offers to members of the public investment options with steady returns. The Financial Secretary has stated in the 2023-24 Budget the plan to issue no less than $50 billion of Silver Bond and $15 billion of retail green bonds in 2023-24, and explore public participation in the new Infrastructure Bond Scheme.

The Government launched 8 batches of iBond for public subscription between 2011 and 2021 with the main objective of providing to members of the public an additional inflation-proof investment option. Members of the public having subscribed to and continued holding the bonds will receive interest payment every 6 months at a rate linked to the Composite Consumer Price Index and no less than the guaranteed rate. They will receive the principal in full upon bond maturity.

As in the case for other bonds, the secondary market price of iBond may depart from its face value due to various factors, such as the repayment period, supply and demand, interest rate, etc. The Government has disclosed the risks involved when issuing the products. Against the backdrop of interest rate hikes and emergence in the market of low-risk investment products offering returns potentially higher than inflation rate, it is an individual investment decision for selling iBond before maturity to pursue higher returns.

Government bonds are fixed income investment options and investors' considerations will generally focus on the products' lower credit risk and higher stability which could meet various needs such as generating stable income, serving as a means to preserve assets, etc. The Government will take into account of market conditions and relevant factors, including changes in the external environment, when formulating the terms of bond issuances in future.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)136

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0955)

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 (FS) stated in paragraph 193 of the Budget Speech: "In the face of pressure on public finances, we have to reduce expenditure and, more importantly, increase government revenue…" by "growing the pie".

However, there are criticisms pointing out that the Government's basic strategies to increase revenue tend to "shrink the pie". With the rate of Stamp Duty on Stock Transfers staying at a high level, investors may be prompted to speculate on US stocks instead, and "the pie will be snatched". Besides, the property market has been distorted by the "harsh measures", resulting in a drop in property prices, poor performance of land sales, and subsequently decreasing government revenue. If the "harsh measures" are relaxed, the market will resume normal, property prices and transactions will rebound, and the government revenue will naturally return to an increase, while the income of more than 30 000 estate agents and renovation practitioners will also rise. Only by doing so can the Government achieve the goal of "growing the pie".

Will the Government rectify, as soon as possible, the policy which is worthless for "growing the pie", namely the unworthy increase in the rate of Stamp Duty on Stock Transfers, so as to remove the unnecessary constraints and stimulate the economy?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 32)

Reply:

The revenue from stamp duty on stock transfers amounted to about $52 billion in 2022-23 Revised Estimates, recording a decrease of about $13.9 billion from $65.9 billion in 2021-22, due to a drop in the average daily turnover of Hong Kong stock market in 2022 as compared to that in 2021. While the average daily turnover in 2022 was generally lower than that in 2021 mainly owing to external factors, relevant turnover rose along with the rebound of Hong

Kong stocks in December 2022, recording an increase of 15% compared to the same month in 2021.

The Government, together with financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX), has been promoting market development to boost the turnover and enhance the competitiveness of the stock market. The measures implemented include expanding the mutual market access in stock markets, allowing new economy companies to list in Hong Kong, and facilitating the secondary listing and dual-primary listing for Greater China and overseas companies in Hong Kong, etc. HKEX launched the listing regime for specialist technology companies in March 2023 to expand the listing channel for issuers, and is carefully considering the market views on financing of small to medium sized enterprises and start-ups, with a view to formulating reform of GEM to provide a more effective fundraising platform for relevant companies. At the same time, HKEX is studying a series of proposals on the optimisation of the trading mechanism, including reviewing the Self-Trade Prevention function and relevant restrictions, so as to facilitate transactions of investors and dovetail with the market trend.

The Government will, as in the past, examine government revenue and tax items, and take all relevant factors into consideration. We will strike a balance between increasing government revenue and market development in considering the rate of stamp duty on stock transfers. Over the past few years, the Government has taken forward legislative amendments to exempt the stamp duty on stock transfers relating to trading of exchange-traded funds and transactions conducted by dual-counter market makers to support market development initiatives for a diversified market, and continuously promote Hong Kong as full-fledged international financial centre.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)137

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1727)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Financial Services Development Council will promote Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaigns. In this regard, please inform this Committee:

1. in table form, the names, highlights and expenditures of the local marketing campaigns to be organised;
2. in table form, the names, highlights and expenditures of the marketing campaigns in the Mainland and overseas to be participated in;
3. whether the Financial Services Development Council will arrange for the financial services industry to participate in the marketing campaigns concerned; if yes, what are the details; if no, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 33)

Reply:

The Financial Services Development Council (FSDC) will continue its efforts in promoting Hong Kong's status as an international financial centre. Apart from organising ongoing industry exchange meetings, FSDC will broaden the array of its marketing and communications initiatives to facilitate networking in the financial services industry. Local marketing campaigns to be organised in 2023-24 include –

Forum to be co-organised by FSDC and Global Impact Investing Network (GIIN): Through leveraging GIIN's knowledge and connections, the partnership with GIIN will support Hong Kong's status as a centre of sustainable investment and green finance. The forum will explore key trends and challenges of impact investing in Asia in future, and share state-of-the-art solutions for navigating the dynamic investment environment with a view to further facilitating impact investing in Asia. The estimated expenditure is about $450,000.

Asian Financial Forum (AFF): The AFF provides a premier platform for global leaders in the government, finance and business sectors to exchange insights and intelligence, as well as to explore business and investment opportunities. FSDC will mainly sponsor panel discussions of the AFF to promote the development of Hong Kong's financial services industry. The estimated expenditure is about $280,000.

Hong Kong FinTech Week: The panel discussion session co-sponsored by FSDC and FinTech companies will examine topics on financial technology in Hong Kong's financial market and share the industry's experiences. The estimated expenditure is about $80,000.

Asia Summit on Global Health: FSDC will continue to sponsor a panel at the Summit to provide a holistic view in examining the role of Hong Kong's financial market in facilitating the overall development of the healthcare ecosystem. The estimated expenditure is about $210,000.

FSDC will continue to maintain close contact with the financial services industry, invite financial institutions to co-sponsor events and relevant stakeholders from the industry to participate in various marketing campaigns including serving as speakers in panel discussions.

Mainland and overseas outreach campaign: Following the full resumption of normal travel between the Mainland and Hong Kong, FSDC is planning to organise duty visits to the Mainland with representatives from the industry in the second half of 2023-24 for promoting Hong Kong's financial services industry. Meanwhile, FSDC will conduct one-on-one meetings and co-organise around 60 roundtables with overseas industry organisations, government bodies etc. through visits to different cities in 2023-24, with a view to expanding its global network and establishing friendly relationships with senior executives and leaders in international financial markets for long-term co-operation. The estimated expenditure is about $1.42 million.

- End -

<u>Examination of Estimates of Expenditure 2023-24</u>

Reply Serial No.

FSTB(FS)138

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1731)

<u>Head</u>:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
<u>Subhead (No. & title)</u>:	(-) Not Specified
<u>Programme</u>:	(1) Financial Services
<u>Controlling Officer</u>:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
<u>Director of Bureau</u>:	Secretary for Financial Services and the Treasury

<u>Question</u>:

The Government plans to introduce a mechanism for re-domiciliation to facilitate companies domiciled overseas, particularly enterprises with a business focus in the Asia-Pacific region, to re-domicile to Hong Kong, so that these companies may utilise our favourable business environment and professional services. In this connection, will the Government inform this Committee whether there is a target number of companies to be attracted to re-domicile to Hong Kong each year upon implementation of the relevant policy? Does the Government have any other concession policy, including tax concession, to enhance the attractiveness of the mechanism? If yes, what are the details? If no, what are the reasons?

<u>Asked by</u>: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 36)

<u>Reply</u>:

We took the first step in 2021 to put in place a user-friendly fund re-domiciliation mechanism for Open-Ended Fund Companies and Limited Partnership Funds to facilitate foreign funds to establish and operate in Hong Kong. Upon re-domiciliation, the continuity of the fund, such as its legal entity, contracts made, property, rights, privileges, obligations, etc., can be preserved. As regards the proposed company re-domiciliation regime, we in principle would widen the application of the proposed mechanism as far as practicable, making the mechanism to be generally applicable to companies coming from different places and of different types. We will put in place appropriate administrative arrangements to ensure that companies applying to re-domicile to Hong Kong are of good standing, but we do not plan to impose restrictions on the originating jurisdiction or the industry type of the companies.

The proposed company re-domiciliation regime will not affect the companies' tax obligation to the originating jurisdiction. We will put in place transitional arrangements to clearly stipulate the tax obligations of the incoming companies in the original place of incorporation and in Hong Kong to provide certainty to the companies on the prospective tax-related changes. Companies re-domiciling to Hong Kong will benefit from Hong Kong's simple and transparent low tax rate, and we have no plan to provide additional tax exemptions for re-domiciliation at this stage.

We started in March 2023 consulting major stakeholders, including business chambers, professional bodies and relevant statutory advisory bodies on the proposal of introducing a company re-domiciliation mechanism. Upon taking into account stakeholders' views we will start formulating the details of the legislative proposal with a view to presenting it in 2023-24. We will also consult the relevant Panel of the Legislative Council.

Hong Kong has an open and efficient company governance regime, simple taxation system, and world class professional services. Hong Kong's strategic location as well as commercial and trading networks with the Mainland and worldwide are also favourable to corporations' management of their operations in the Mainland and in the Asian region. Hong Kong is an attractive destination for non-Hong Kong corporations which are considering changing their place of incorporation to Asia. We believe there is demand among non-Hong Kong companies for re-domiciliation to Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1763)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

According to paragraph 136 of the Budget, "since its launch in 2016, the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector has been well received". What is the actual expenditure involved since the launch of the Programme? How many university students have participated in this Pilot Programme and how many of them have worked in the insurance sector and the asset and wealth management sector after graduation?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 28)

Reply:

In August 2016, the Government launched the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector (Pilot Programme) to provide subsidy for tertiary student internships and professional training for practitioners, and promote the employment opportunities and career prospects of the industries through different channels.

Since inception, for the insurance sector, the Pilot Programme has provided about 450 internship positions to tertiary students and over 15 000 participants have taken part in subsidised training courses. For the asset and wealth management sector, over 580 tertiary students have completed their internships, with about 3 800 applications for professional training course fee subsidy approved. As of end-February 2023, the actual expenditure of the Pilot Programme was about $90.6 million. Participants have provided very positive evaluation feedback, with most indicating that they have a better understanding of the sectors after completing the internships and plan to join the sectors upon graduation. The Pilot Programme does not maintain statistics on graduates concerned joining the sectors.

We have reviewed the effectiveness and operation of each initiative of the Pilot Programme, and taken into consideration the feedback from participants and suggestions from the sectors. As announced by the Financial Secretary in the 2023-24 Budget, the Pilot Programme will be extended for 3 years to nurture more talents for the sectors and enhance professional competency of practitioners. In the coming 3 years, we will focus on supporting student internships and professional training for practitioners, and implement enhancements, including extending the duration and eligibility of internships, and increasing the quota for student internships and training for practitioners. We will continue to consider the views of the participants and sectors, and review the Pilot Programme as appropriate, in light of the ever evolving industry landscape.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)140

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2633)

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 regards the proposal of setting up an Infrastructure Bond Scheme, please advise this Committee of the following:

1. Has the Government set the targets for the amount of infrastructure bonds to be issued annually under the Scheme? What proportion will be the proceeds from bond issuance to the total expenditure for infrastructure projects? Will a ceiling be set?
2. What will be the ratio of subscription between the public and institutional investors? Will the ratio be adjusted in light of public subscription demand?
3. Will the bonds issued under the Scheme be listed and traded on the Stock Exchange of Hong Kong? If so, what are the details? If not, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 30)

Reply:

Through issuance of bonds, the Government has been fostering the development of our bond market and attaining other policy objectives such as financial inclusiveness and promoting green and sustainable development. The Financial Secretary has stated in the 2023-24 Budget that Hong Kong should make good use of the room for bond issuance to support and expedite economic development, and proposed the setting up of an Infrastructure Bond Scheme (the Scheme), with the expectation of an annual issuance of green bonds and infrastructure bonds worth approximately $65 billion in total in the next 5 financial years. The proportion of the infrastructure bond issuance amount to the total expenditure for infrastructure projects will depend on the actual bond issuance size and expenditure of infrastructure projects. According to the Medium Range Forecast on the Government's financial position, the aforementioned $65 billion worth of bond proceeds will amount to around 50 to 60 percent of the expenditure of the Capital Works Reserve Fund.

Infrastructure is one of the key areas for sustained economic development and improvement of people's quality of life. We will explore ways for public participation under the new Scheme so that members of the public may have an opportunity to support the development of long-term projects in Hong Kong.

On listing, at present, most of the bonds issued by the Government are listed on the Stock Exchange of Hong Kong. When issuing infrastructure bonds in the future, we will also make full use of Hong Kong's financial infrastructure to showcase the advantages of Hong Kong's bond platform to other potential issuers.

The Government will formulate the implementation details (including the borrowing ceiling, the infrastructure projects involved, per annum interest rate, tenor, currency, target investors, listing arrangement, etc.) of the Scheme. The plan is to introduce the relevant proposals to the Legislative Council in 2023-24.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)141

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2978)

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 proposed in the Budget that a new Capital Investment Entrant Scheme be introduced. The Secretary for Financial Services and the Treasury, Mr Christopher Hui, has added that in respect of assets, apart from financial assets, other asset classes (excluding property investment) that are conducive to the long-term development of Hong Kong will also be considered. Will the Government require investors to specifically invest in innovation and technology-related industries (e.g. biotechnology, artificial intelligence, semiconductors etc.)?

Asked by: Hon WONG Kam-fai, William (LegCo internal reference no.: 4)

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

\- End -

Reply Serial No.

FSTB(FS)142

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1362)

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 proposed in the Budget Speech that the tax deduction for the Mandatory Provident Fund voluntary contributions made by employers for their employees aged 65 or above be increased, from the current 100 percent to 200 percent in respect of such expenditure. What is the estimated amount of tax revenue to be forgone?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 24)

Reply:

Currently, employers may claim tax deductions for making Mandatory Provident Fund (MPF) contributions for their employees, up to 15% of the total emoluments of the employees concerned. As there are no requirements for the employers to provide information on the number, age and emoluments of employees, as well as amount of mandatory/voluntary MPF contributions made by the employers and respective percentage to the emoluments when assessing the employers' profits tax liabilities, we are unable to estimate the tax revenue forgone at this stage concerning the proposed increase in tax deduction for employers' voluntary MPF contributions for employees aged 65 or above.

In drawing up details of the proposed tax incentive, we will consider collecting detailed information on employers' MPF contributions for their employees, so as to ensure effective implementation of the initiative and facilitate analysis at different levels.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)143

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1364)

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 Budget announced that government-issued bonds would serve as an investment option of the Mandatory Provident Fund (MPF). Assuming that the interest rate of the government bonds offered for employees' MPF contributions equals the inflation rate plus 1%, what are the respective interest expenditures involved for this year if 10%/20%/30%/40%/50% of the total employees' MPF contributions in the year are allocated to investing in the said bonds?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 31)

Reply:

The Government and the Mandatory Provident Fund Schemes Authority (MPFA) have been working together to enhance the operation of MPF schemes to safeguard the interests of scheme members. Following the introduction of the fee-controlled Default Investment Strategy in 2017, the Government has instructed the Hong Kong Monetary Authority (HKMA) and the MPFA to look into proposals to further address society's aspirations for MPF funds that could offer stable returns at low fees. As an initial step, the Government plans to earmark a certain proportion of the future issuances of Government institutional green bonds and infrastructure bonds for priority investment by MPF funds. The HKMA and MPFA are making preparation for the implementation of these initiatives, and details such as potential yield and interest expenses of those relevant investment products are being worked out.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)144

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2669)

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 a certain proportion of green bonds and infrastructure bonds will be earmarked for priority investment by Mandatory Provident Fund funds. Will the Government inform this Committee of the following:

1. the time of launching the relevant new products, and the expected management fees/ administration fees;
2. whether the relevant new products will make reference to silver bonds and guarantee returns that outperform inflation;
3. whether the interest rates of infrastructure bonds will be no lower than those of silver bonds and whether they are linked to inflation;
4. the average management fees/administration fees of existing Default Investment Strategy funds;
5. the annual return and average return of the Exchange Fund since 2000; and
6. the annual return and average return of the Future Fund since its establishment?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 1)

Reply:

Our reply to the respective parts of the question is as follows:

(1) & (2)

The Government and the Mandatory Provident Fund Schemes Authority (MPFA) have been working together to enhance the operation of MPF schemes to safeguard the interests of scheme members. Following the introduction of the fee-controlled Default Investment Strategy in 2017, the Government has instructed the Hong Kong Monetary Authority (HKMA) and the Mandatory Provident Fund Schemes Authority (MPFA) to look into proposals to further address society's aspirations for MPF funds that could offer stable returns at low fees. As an initial step, the Government plans to earmark a certain proportion of the future issuances of Government institutional green bonds and infrastructure bonds for priority investment by MPF funds. The HKMA and the MPFA are making preparation for the implementation of these initiatives, and details such as management fees and potential yield are being worked out.

(3)

The Financial Secretary has stated in the 2023-24 Budget that Hong Kong should make good use of the room for bond issuance to support and expedite economic development, as well as to set up an Infrastructure Bond Scheme. The Government will formulate the implementation details.

(4)

As of 31 January 2023, the average fund expense ratio of the MPF funds under the Default Investment Strategy is 0.78%.

(5)

The annual investment returns of the Exchange Fund from 2000 to 2022 and the average return over the period are set out below:

Year	Investment return (%)[1]
2000	4.8
2001	0.7
2002	5.1
2003	10.2
2004	5.7
2005	3.1
2006	9.5
2007	11.8
2008	-5.6
2009	5.9
2010	3.6
2011	1.1
2012	4.4
2013	2.7
2014	1.4
2015	-0.6
2016	2.0
2017	7.4
2018	0.3
2019	6.6
2020	5.3
2021	4.1
2022[2]	-4.4
Average return (2000-2022)[3]	**3.6**

Note 1: Investment return calculations exclude holdings in the Strategic Portfolio.

Note 2: This return only includes the performance of the Long-Term Growth Portfolio up to the end of September 2022. The audited full year return will be disclosed in the HKMA Annual Report 2022.

Note 3: Average return is calculated on an annually compounded basis.

(6)

The composite rate of return of the Future Fund since its establishment are set out below:

Year	Composite Rate of Return (%)
2016	4.5
2017	9.6
2018	6.1
2019	8.7
2020	12.3
2021	17.8
2022	to be announced later within 2023
Average return (2016-2021)	**9.8**

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)145

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1617)

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 Hong Kong enjoys the competitive edge as a hub for multinational enterprises and as a headquarters economy. To further explore market opportunities, we will introduce a mechanism to provide facilitation for companies domiciled overseas, particularly enterprises with a business focus in the Asia-Pacific region, for re-domiciliation to Hong Kong, so that these companies may utilise our favourable business environment and professional services.

In this connection, please advise this Committee on: will the Government actively consider offering tax exemption for the first few years to vigorously attract overseas companies to re-domicile to Hong Kong?

Asked by: Hon YIM Kong (LegCo internal reference no.: 15)

Reply:

We took the first step in 2021 to put in place a user-friendly fund re-domiciliation mechanism for Open-Ended Fund Companies and Limited Partnership Funds to facilitate foreign funds to establish and operate in Hong Kong. Upon re-domiciliation, the continuity of the fund, such as its legal entity, contracts made, property, rights, privileges, obligations, etc., can be preserved. As regards the proposed company re-domiciliation regime, we in principle would widen the application of the proposed mechanism as far as practicable, making the mechanism to be generally applicable to companies coming from different places and of different types. We will put in place appropriate administrative arrangements to ensure that companies applying to re-domicile to Hong Kong are of good standing, but we do not plan to impose restrictions on the originating jurisdiction or the industry type of the companies.

The proposed company re-domiciliation regime will not affect the companies' tax obligation to the originating jurisdiction. We will put in place transitional arrangements to clearly stipulate the tax obligations of the incoming companies in the original place of incorporation and in Hong Kong to provide certainty to the companies on the prospective tax-related changes. Companies re-domiciling to Hong Kong will benefit from Hong Kong's simple and transparent low tax rate, and we have no plan to provide additional tax exemptions for re-domiciliation at this stage.

We started in March 2023 consulting major stakeholders, including business chambers, professional bodies and relevant statutory advisory bodies on the proposal of introducing a company re-domiciliation mechanism. Upon taking into account stakeholders' views we will start formulating the details of the legislative proposal with a view to presenting it in 2023-24. We will also consult the relevant Panel of the Legislative Council.

Hong Kong has an open and efficient company governance regime, simple taxation system, and world class professional services. Hong Kong's strategic location as well as commercial and trading networks with the Mainland and worldwide are also favourable to corporations' management of their operations in the Mainland and in the Asian region. Hong Kong is an attractive destination for non-Hong Kong corporations which are considering changing their place of incorporation to Asia. We believe there is demand among non-Hong Kong companies for re-domiciliation to Hong Kong.

- End -

Reply Serial No.

FSTB(FS)146

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1618)

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 that with a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Government will introduce a new Capital Investment Entrant Scheme, under which applicants shall make investment at a certain amount in the local asset market, excluding property.

In this connection, please advise of the following: Will there be differential requirements for Mainland applicants under this scheme, such as quota restriction or higher capital restriction?

Asked by: Hon YIM Kong (LegCo internal reference no.: 16)

Reply:

With a view to further enriching the talent pool and attracting more new capital to Hong Kong, the Financial Secretary announced in the 2023-24 Budget that the Government will introduce a new Capital Investment Entrant Scheme (the New Scheme). Applicants shall make investment at a certain amount in the local asset market, excluding property. Upon approval, they may reside and pursue development in Hong Kong.

The Government is formulating details of the New Scheme which will generally adopt the framework and application criteria of the original Capital Investment Entrant Scheme, with possible adjustments to be made to such matters as the investible areas in Hong Kong and investment threshold. The Government will consider increasing the investment threshold to a multiple of the original requirement. For the investible areas, the Government will consider providing for, apart from financial assets, new asset categories benefitting the long-term development of Hong Kong, with a view to attracting more new capital and talents to Hong Kong, bringing new impetus to the economy and fostering the development of industries in Hong Kong at the same time. The Government will make an announcement after finalising the details and application arrangements, and launch wide publicity.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)147

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1621)

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 as Hong Kong heads towards high-quality development as an international financial centre, it has to attach importance to issues about both development and security. Hong Kong has been identifying potential risks early and managing them properly, and firmly upholding the bottom-line of ensuring "financial security", on which our steady economic, financial and social development depends.

In this connection, please advise on the following: The Government, on account that financial security is linked with national security and development interests, has taken actions to promote cyber security legislation. As far as e-finance is concerned, has there been communication and coordination with the relevant Mainland authority for establishing forward-looking legal considerations that tie in with the trend of e-finance development?

Asked by: Hon YIM Kong (LegCo internal reference no.: 19)

Reply:

Financial security is crucial to national sovereignty, security and development. We have spared no effort in maintaining Hong Kong's financial security, putting in place contingency plans for coping with various risks with a "bottom-line mindset". We will continue to enhance our regulatory regime, and give full play to our role as a testing ground and firewall in our country's high-quality development.

As for e-finance, the Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022, which introduces a licensing regime for virtual asset service providers. Any person who engages in virtual asset exchange business will be required to apply for a licence from the Securities and Futures Commission, and comply with the anti-money laundering and counter-terrorist financing requirements as well as other regulatory requirements on investor protection under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance. The licensing regime will commence operation in June 2023.

Separately, we launched a three-month public consultation on enhancing regulation of crowdfunding activities in December 2022. The consultation paper has proposed a number of recommendations to enhance the transparency and accountability of crowdfunding activities, including requiring crowdfunding activities that publicly raise funds from individuals or entities of Hong Kong, or individuals or entities located in Hong Kong, to make application and obtain prior approval before commencement, so as to prevent lawbreakers from engaging in activities that are fraudulent, jeopardising public interest, or endangering public and national security in the name of crowdfunding.

In addition to legislative work, the Government and financial regulators have put in place comprehensive measures to mitigate security risks of the financial sector. On banking side, the Hong Kong Monetary Authority (HKMA) has launched various initiatives to provide guidance to banks in managing the risks of cyber attacks and data breaches. These initiatives include the Cyber Resilience Assessment Framework 2.0 (C-RAF 2.0) launched in November 2020 to reflect the latest sound practices on cyber security risk management, and security measures to detect and prevent data leakage. In view of the changing risks of cyber attacks, the HKMA issued further circulars and guidelines in May 2021, April 2022 and September 2022 to enhance the data security of the industry.

On securities side, the Securities and Futures Commission (SFC) issued the Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading in 2017, which set out the cybersecurity requirements for the securities industry. These requirements include the implementation of specific security controls required of SFC-licensed brokers to protect client data and their own data, such as data encryption and system and data backup. In addition, SFC requires licensed corporations to comply with the Personal Data (Privacy) Ordinance when handling client data.

Financial regulators have been keeping contact with relevant Mainland authorities. In particular, the HKMA has been working with the People’s Bank of China on cross-boundary currency network while the SFC and the China Securities Regulatory Commission have worked together and established a series of robust market surveillance mechanism to ensure timely responses to the challenges posed by increasingly serious and complex cross- boundary market misconducts, thereby protecting the interests of investors and maintaining normal operation of the markets of both sides, and ensuring financial security.

Digital economy plays a crucial role in the course of achieving high-quality development. To speed up the process of digital economy development in Hong Kong, the Digital Economy Development Committee (the Committee) established last year, chaired by the Financial Secretary, has started study work on setting directions, strategies and focus areas in developing digital economy. The Committee set up, among others, a sub-group on cross-boundary data collaboration in September 2022 which explores ways that assist companies in transferring data both locally and across the boundary in a convenient, efficient and safe manner. The sub-group is now collating the challenges encountered by the local enterprises and organisations in the course of cross-boundary data flow and considering feasible facilitation measures, with a view to making specific recommendations to the Government in 2023.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)148

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1622)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget, the Hong Kong Exchanges and Clearing Limited (HKEX) will, after consulting the market, introduce a listing regime for advanced technology companies in the first quarter of this year to expand the listing channel for issuers. The HKEX will also put forward specific reform recommendations on GEM within this year after carefully considering the views of various market players on the financing needs of small and medium enterprises and start-ups, and consult stakeholders.

In this connection, please advise whether the Government will actively consider exempting innovation and technology enterprises headquartered in Hong Kong from some of the restriction clauses and give them priority in listing.

Asked by: Hon YIM Kong (LegCo internal reference no.: 20)

Reply:

We are committed to enhancing Hong Kong's securities market and attracting different types of enterprises as well as investors from the Mainland and overseas to participate in investment and fundraising activities in Hong Kong. After consulting the market, the Hong Kong Exchanges and Clearing Limited (HKEX) launched the listing regime for specialist technology companies in March 2023. The regime has expanded the listing channel for issuers, facilitating specialist technology enterprises that have yet to meet the existing profit or revenue requirements of the Main Board to list and raise funds. HKEX is also carefully considering the views of various market players on the financing needs of small and medium enterprises and start-ups, with a view to putting forward specific reform recommendations on GEM within 2023 and comprehensively strengthening the competitiveness of Hong Kong as an all-rounded international fundraising hub.

The above measures aim to more comprehensively address the fundraising needs of enterprises at different development stages, facilitating technology companies from different places including Hong Kong to access international capital and expand their businesses, while expanding the local capital market. Considering the nature and competitiveness of Hong Kong as an international financial centre, the listing requirements of HKEX should be applicable to different jurisdictions as far as possible so that potential issuers from different places would all have opportunities to list and raise funds in Hong Kong.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)149

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1623)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget, Hong Kong is also an offshore Renminbi (RMB) bond issuance centre and last year saw the issuances in Hong Kong of offshore RMB bonds worth RMB 5 billion each by the People's Government of Hainan Province and the Shenzhen Municipal People's Government.

In this connection, please advise whether the Government has considered the enactment of legislation to specifically provide for the avoidance of financial risks involved in view of the increasing demand for RMB bond issuances by various Mainland provinces and cities in Hong Kong in the future.

Asked by: Hon YIM Kong (LegCo internal reference no.: 21)

Reply:

With the staunch support of our country and the proactive efforts of the Government, Hong Kong has developed into an international bond centre. The Ministry of Finance has issued Renminbi (RMB) sovereign bonds annually in Hong Kong for 14 years consecutively since 2009. The People's Bank of China (PBOC) has established a regular mechanism of central bank bill issuance in Hong Kong. In addition, the Shenzhen Municipal People's Government (Shenzhen Government) issued RMB5 billion of offshore RMB municipal government bonds in Hong Kong in 2021, which was the first time that a Mainland municipal government issued offshore bonds. The People's Government of Hainan Province issued its first offshore RMB bonds in Hong Kong in 2022, and the Shenzhen Government issued bonds in Hong Kong in the same year for the second time. Meanwhile, we amended relevant legislation in June 2022 to facilitate investment by Mandatory Provident Fund funds in debt securities issued or unconditionally guaranteed by the Central People's Government, the PBOC and the 3 Mainland policy banks. The aforementioned issuances and measures have further enriched the range of RMB financial products available in the Hong Kong market and promoting RMB internationalisation.

Bonds are important investment tools for investors to match their capital with the right projects according to their investment horizon and risk tolerance level. To address the risk management needs for investments in RMB bonds, we have been actively introducing more diversified risk management products. The regulators and infrastructure institutions in Hong Kong and the Mainland are collaborating closely to complete preparations for Northbound Trading of Swap Connect. Initially, interest rate swaps would be eligible while other products would be included in due course depending on market conditions. Depending on the operation experience and actual market demand after implementation, we will explore the feasibility of Southbound Trading in due course, facilitating Mainland investors to manage interest rate risks for investing in Dim Sum bonds. In addition, we are actively taking forward the issuance of Mainland government bond futures in Hong Kong. We will also continue to provide stable and efficient treasury services (such as foreign exchange, exchange rate risk and interest rate risk management tools, etc.), to facilitate the internationalisation of RMB. The regulation, authorisation and listing of bonds in Hong Kong depend on a number of factors, including whether the securities are offered to the public or only to professional investors, or listed for secondary trading. All listed bonds are required to comply with the relevant requirements in the Listing Rules.

We and the financial regulators will continue to maintain close communication with the relevant Mainland authorities on financial regulatory matters and monitor market developments, with a view to promoting the progressive development of Hong Kong into an increasingly comprehensive offshore RMB and risk management centre.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)150

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1624)

Head:	(148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Financial Services
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget, with the launch of the Commercial Data Interchange (CDI) in October 2022, over 1 000 loans totalling more than $1.9 billion have been granted to small and medium enterprises by participating banks as at end of 2022. There are however comments that the total loan amount of $1.9 billion seems to be lower than expected and that the penetration rate of CDI has to be raised.

In this regard, please advise whether the Government has conducted an in-depth review of the utilisation of CDI so as to learn about the reasons for the current less-than-satisfactory penetration rate? What will the Government do to improve the situation?

Asked by: Hon YIM Kong (LegCo internal reference no.: 22)

Reply:

The Commercial Data Interchange (CDI) has been operating for a few months since the Hong Kong Monetary Authority (HKMA) launched the service in October last year. The utilisation of the CDI has largely met expectation considering that it is still at the early stage of implementation. The HKMA will continue to monitor the utilisation trend of the CDI, and explore new business use cases and develop measures to boost the utility of the CDI. For example, the CDI will be linked to the Consented Data Exchange Gateway developed by the Government. That will facilitate introduction of more government data sources into the CDI, thereby allowing financial institutions access to more useful data. We will continue to explore expanding the functionality of the CDI to further enrich the data-driven financial service ecosystem.

\- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)151

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0723)

Head: (26) Census and Statistics Department

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

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics (Leo YU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned under this Programme that the Census and Statistics Department (C&SD) will continue to use modern technologies in the dissemination of statistical information and enhance its website to make it more convenient for users to obtain statistical information. In this connection, will the Government inform this Committee of the following:

1. What are the specific modern technologies referred to? What are the changes to be brought about by the enhanced data dissemination channels? What is the expenditure involved?
2. What are the plan and contents in respect of C&SD's website enhancement? What are the expected manpower and expenditure involved?

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 14)

Reply:

The Census and Statistics Department (C&SD) mainly disseminates statistical information through its website, facilitating the public to conveniently obtain official statistics anytime and anywhere. To meet users' needs, the C&SD has launched in recent years new statistical products on its website which are customisable and easy-to-use.

In March 2023, the C&SD adopted Web Tables (i.e. tables in the form of webpages) to replace most of the original statistical tables in spreadsheet format for displaying detailed statistical data which covers longer periods of time. Users can customise the content and layout of statistical data in Web Tables, and download their customised statistical data in various machine-readable formats for further processing and analysis. Furthermore, the C&SD will roll out Web Reports (i.e. reports in the form of webpages) progressively from April 2023 to replace most of the traditional statistical reports in PDF format. In addition to using desktop computers, users can also browse Web Reports on mobile devices. Web Reports provide concise and comprehensible statistical analysis of the latest social and economic trends, complemented with interactive statistical charts and tables, allowing users to easily grasp key statistical information. The above statistical products are part of the project deliverables of an outsourced computer system development project with a total project sum of $7.86 million. The project was managed by existing staff of the C&SD.

Moreover, the C&SD plans to develop an online Interactive Data Dissemination Service (IDDS) to provide a single interface for users to browse various social and economic statistics on its website. Users will be able to produce and download statistical tables and charts according to their own needs in the system. The system will also provide an Application Programming Interface (API) function to facilitate other online application developers to perform direct data queries. Compared with the traditional practice of pre-building a large number of statistical tables, the IDDS is a more convenient and flexible way for users to obtain their required statistics in detail. The C&SD plans to commence an outsourced computer system project, covering the development of the IDDS and enhancement of other computer systems in 2023-24. The preliminary estimate of the total project expenditure is $14 million. The project will be managed by existing staff of the C&SD.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)152

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3087)

Head: (26) Census and Statistics Department

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

Programme: (-) Not Specified

Controlling Officer: Commissioner for Census and Statistics (Leo YU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to the import and export of fresh produce and agricultural and fishery products, please advise on the following:

(a) the total value of fresh produce and agricultural and fishery products supplied by the Mainland to Hong Kong in the past 3 years (i.e. from 2020-21 to 2022-23);
(b) the total value of fresh produce and agricultural and fishery products supplied to Hong Kong by regions and countries other than the Mainland and Hong Kong in the past 3 years (i.e. from 2020-21 to 2022-23);
(c) the total value of local fresh produce and agricultural and fishery products exported from Hong Kong to the Mainland in the past 3 years (i.e. from 2020-21 to 2022-23); and
(d) the total value of local fresh produce and agricultural and fishery products exported from Hong Kong to regions and countries other than the Mainland and Hong Kong in the past 3 years (i.e. from 2020-21 to 2022-23).

Asked by: Hon HO Chun-yin, Steven (LegCo internal reference no.: 53)

Reply:

(a) The value of imports of fresh produce and agricultural and fishery products of the Mainland origin to Hong Kong in the past 3 calendar years, i.e. 2020, 2021 and 2022, was about $10,284 million, $12,257 million and $12,243 million respectively.

(b) The value of imports of fresh produce and agricultural and fishery products to Hong Kong originated from regions and countries other than the Mainland and Hong Kong in the past 3 calendar years, i.e. 2020, 2021 and 2022, was about $28,945 million, $35,136 million and $28,815 million respectively.

(c) The value of domestic exports of fresh produce and agricultural and fishery products from Hong Kong to the Mainland was about $340,000 in 2021. Hong Kong had no domestic exports of fresh produce and agricultural and fishery products to the Mainland in 2020 and 2022.

(d) The value of domestic exports of fresh produce and agricultural and fishery products from Hong Kong to regions and countries other than the Mainland and Hong Kong was about $20,000 in 2022. Hong Kong had no domestic exports of fresh produce and agricultural and fishery products to regions and countries other than the Mainland and Hong Kong in 2020 and 2021.

Note: Fresh produce and agricultural and fishery products refer to live pigs, live cattle, live goats, live poultry, live fish, vegetables and fruits.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)153

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1682)

Head:	(26) Census and Statistics Department
Subhead (No. & title):	(-) Not Specified
Programme:	(5) Price/Industry/Service Statistics
Controlling Officer:	Commissioner for Census and Statistics (Leo YU)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The Chief Executive has announced initiatives in the Policy Address that the Government will be proactive in competing for enterprises and competing for talents, while it is also stated in paragraph 65 of the Budget Speech that the Government plans to propose legislative amendments in order to attract overseas companies to re-domicile in Hong Kong, as well as to develop a headquarters economy in Hong Kong. In this connection, please advise on the following:

1) the number of regional headquarters, regional offices and local offices in Hong Kong in the past 3 years, with country breakdowns of Mainland China and other territories;
2) the methodology adopted by the Census and Statistics Department (C&SD) in conducting the annual survey; the expenditure and manpower involved;
3) the smart initiatives to be adopted to enhance efficiency, increase sample sizes and shorten the time required for conducting surveys; whether the C&SD can currently obtain data and information from other departments directly;
4) taking into account that competing for enterprises has been a priority of the current-term Government's policy agenda, as well as the rapid changes in the socio-economic environment in recent years, the plans to be adopted by the C&SD to expedite reporting on the development progress of the headquarters economy so as to facilitate decision-making by relevant policy bureaux, for example, whether the C&SD will consider publishing a brief half-yearly report between the annual surveys.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 7)

Reply:

At the request of Invest Hong Kong (InvestHK), the Census and Statistics Department (C&SD) conducts the Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong (the Survey) every year to collect information on the regional headquarters, regional offices and local offices in Hong Kong with their parent companies located outside Hong Kong.

1) According to the survey results, the number of companies in Hong Kong with parent companies located outside Hong Kong has remained at around 9 000 during 2020 to 2022. The breakdowns of such companies with parent companies located in the Mainland of China and other countries/territories are at Annex Table.

2) The Survey is a voluntary statistical survey conducted under Part IIIA of the Census and Statistics Ordinance (Chapter 316). The latest round of the Survey was conducted during early June to mid-September 2022. Companies selected for the Survey could submit their questionnaires online, by email or by post. In addition, to enhance the survey response rate, telephone interviews and face-to-face interviews were conducted to assist the companies concerned in completing the questionnaires and to follow up with those non-responding companies.

   The expenditure for conducting the 2022 round of the Survey was about $1.6 million, which mainly involved emoluments for time-limited posts, including the employment of 46 university students and 6 Non-Civil Service Contract Survey Interviewers / Statistical Assistants to assist in conducting the Survey under the supervision of a Statistician and a few Census and Survey Officers / Statistical Officers.

3) The C&SD continues to make use of information technology to improve data quality and efficiency in data processing of the Survey in recent years, including the enhancement of the End-User Computing Systems for data processing and validation to increase the speed and accuracy of the processes, as well as the introduction of online questionnaires for company respondents to complete the questionnaires more conveniently. Furthermore, company data from different sources were collected to enhance the sampling frame of the Survey. In the compilation of the sampling frame for the 2022 round of the Survey, reference was made to the data collected from the following channels in addition to the relevant information available from the C&SD:

   (i) up-to-date information from the Companies Registry;
   (ii) Consulates, trade commissions and chambers of commerce of overseas countries in Hong Kong; and
   (iii) business directories, media reports, online information and working contacts of InvestHK, etc.

4) The Survey is currently conducted in around June to September every year with survey results released swiftly in the fourth quarter of the same year. Taking into account factors such as the respondents' time and efforts required in completing the questionnaire and availability of government resources, the Survey continues to be conducted annually. The C&SD would maintain close liaison with InvestHK and other relevant government bureaux/departments and review in good time the statistical needs.

Annex Table: Number of regional headquarters / regional offices / local offices by country/territory where the parent company was located, 2020 to 2022

Regional headquarters / regional offices / local offices	Country/Territory where the parent company was located	2020	2021	2022
Regional headquarters	The Mainland of China	238	252	251
	Other countries/territories	1 266	1 205	1 161
	Overall	1 504	1 457	1 411
Regional offices	The Mainland of China	344	377	327
	Other countries/territories	2 138	2 109	2 074
	Overall	2 479	2 483	2 397
Local offices	The Mainland of China	1 404	1 451	1 536
	Other countries/territories	3 641	3 663	3 636
	Overall	5 042	5 109	5 170
Total	The Mainland of China	1 986	2 080	2 114
	Other countries/territories	7 045	6 977	6 871
	Overall	9 025	9 049	8 978

Note: In the case of a joint-venture regional headquarters / regional office / local office, there may be more than 1 country/territory where its parent companies are located. Therefore, figures may not add up to the overall.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)154

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1702)

Head: (26) Census and Statistics Department

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leo YU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise on the following:

1) the reasons for the decrease of approximately 20% of the estimate for 2023-24 when compared with the original estimate for 2022-23;
2) during the compilation of social statistics, whether there are plans to fully implement digitalisation and smart technologies, including obtaining the data required directly from other departments concerned, so as to reduce manpower in carrying out administrative procedures such as making requests and providing replies.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 28)

Reply:

1) The estimate for 2023-24 under the Programme of Social Statistics is $31 million (or 19.8%) lower than the original estimate for 2022-23. This is mainly due to the near completion of the work related to the 2021 Population Census, thus lowering the relevant expenditure for 2023-24.

2) The Census and Statistics Department (C&SD) will re-engineer the approach of conducting population censuses in 2026 and thereafter, in which Government administrative data will be used more extensively. The C&SD is exploring ways to make use of the Government cloud platform to obtain the required data from relevant departments.

- End -

Reply Serial No.

FSTB(FS)155

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2355)

Head:	(26) Census and Statistics Department
Subhead (No. & title):	(-) Not Specified
Programme:	(3) National Accounts and Balance of Payments Statistics
Controlling Officer:	Commissioner for Census and Statistics (Leo YU)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

It is noticed from the Economic Performance in 2022 that the gross domestic fixed capital formation (GDFCF) recorded a negative growth of 8.5% when compared with 2021, of which machinery, equipment and intellectual property products even saw a negative growth of 16.1%.

1) What are the reasons for the negative growth in machinery, equipment and intellectual property products within the GDFCF in 2022? Please provide analysis of the causes.

2) Please provide relevant statistics on the said 3 categories of capital. If no statistics is available, please provide the reasons.

Asked by: Hon ZHANG Xinyu, Gary (LegCo internal reference no.: 34)

Reply:

1) Investment expenditure on machinery, equipment and intellectual property products decreased by 16.1% in real terms in 2022, mainly due to the uncertain business outlook and rising borrowing costs.

2) Due to limitation of data sources, the Census and Statistics Department is not able to provide reliable statistics on the breakdown for the 3 categories.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)156

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0954)

Head:	(116) Official Receiver's Office
Subhead (No. & title):	(-) Not Specified
Programme:	(1) Official Receiver's Office
Controlling Officer:	Official Receiver (MCKENNA Phyllis)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

It is mentioned from the first to the fourth points at the matters requiring special attention in 2023-24 that the Official Receiver's Office (ORO) will contract out various types of bankruptcy cases to "practitioners in the private sector". Please inform this Committee of the following:

(1) the estimated number of the above contracted-out cases and the expenditure involved in the new financial year; and the changes in comparison with those of the previous financial year;

(2) has the ORO assessed if there will be a reduction in the manpower and costs required in handling each case when more bankruptcy cases are to be contracted out? If yes, what will be the reduction?

(3) Empathetic towards people's needs, the Financial Secretary will grant 50% rental or fee concession to eligible tenants of government premises and eligible short-term tenancies and waivers under the Lands Department, and he will also waive various licence fees. Will the ORO evaluate if there is any room for lowering the prevailing fees amounting to nearly $10,000 charged from each bankruptcy applicant in the coming financial year, so that bankrupts' financial stress can be alleviated and that they can be spared from the predicament of being penniless and therefore unable to file for bankruptcy?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 31)

Reply:

(1) For bankruptcy cases, the Official Receiver's Office (ORO) outsources preliminary examination of bankrupts and a number of debtor-petition summary bankruptcy cases to private insolvency practitioners. The estimated number of bankruptcy cases to be outsourced in 2023-24 and the percentage changes as compared with that of 2022-23 up to end of February 2023 as well as the expenditure involved are as follows:-

Preliminary examination of bankrupt	**2023-24 (Estimated)**	**2022-23 (Up to Feb 2023)**	**Percentage changes in 2023-24 (%)**
No. of cases	4 636	4 165	+2.0 *(Note 1)*
Required fees or remuneration quoted in tenders *(Note 2)*	Ranging from $128 to $238 per case for 2022 and 2023		

Debtor-petition summary bankruptcy case	**2023-24 (Estimated)**	**2022-23 (Up to Feb 2023)**	**Percentage changes in 2023-24 (%)**
No. of cases	1 159	890	+19.4 *(Note 1)*
Required fees or remuneration quoted in tenders *(Note 2)*	Ranging from $1,800 to $3,580 per case for 2022 and 2023		

(Note 1) The percentage changes in 2023-24 are based on the projected full year figures on straight-line basis for 2022-23 of 4 544 for "Preliminary examination of bankrupt" and 971 for "Debtor-petition summary bankruptcy case" respectively.

(Note 2) The amount quoted by the contractors in their tender as their required fees or remuneration is payable from the amount of petitioner's deposit.

(2) The outsourcing schemes enables the ORO to make use of the private sector expertise to alleviate the workload in administration of the bankruptcy cases without increasing the staff establishment. The ORO regulates and monitors the performance of private insolvency practitioners to ensure that they perform their duties in accordance with the statutory requirements.

For the outsourcing of preliminary examination of bankrupts, the average time saving per case is about 1.5 man-hours. Up to February 2023, the number of cases outsourced under the 2022-2023 tender (i.e. for the period from January 2022 to December 2023) is 5 108. Therefore, the total amount of time saved for the period is about 7 662 man-hours.

As regards the administration of bankruptcy cases, since the complexity of the work involved and the time required to finalize the administration in these cases can vary significantly, it is not possible to estimate the cost to the Government if they were administered by the ORO, and as such, the total amount of savings cannot be estimated.

(3) According to the established policy of the Administration, fees charged should in general be set at levels adequate to recover the full costs of providing the service. The ORO has regularly reviewed its work procedures with a view to identifying room for

streamlining and enhancing efficiency, and will review its fees and charges, including the level of the petitioner's deposit from time to time.

The deposit to be paid by a debtor for presentation of bankruptcy petition against himself/herself, is payable under the Bankruptcy Rules (Cap. 6A) and is for covering necessary fees and expenses incurred by the ORO or the trustee when processing the bankruptcy case, such as those for publishing statutory notices, conducting various searches and paying statutory court fees.

Normally, a bankruptcy case is required to be administered for at least 4 to 8 years and it is necessary to carry out various statutory duties as stipulated in the Bankruptcy Ordinance such as realization of the bankrupts' assets, investigation into the conduct and affairs of the bankrupts, distribution of dividend to creditors and review of the bankrupts' discharge. Based on statistics for the past 3 years, 98% of cases handled by the ORO are non-remunerative, which means that there are no, or inadequate assets to cover the costs necessarily incurred by the ORO or the trustee in administering these cases. The ORO will keep in view the cost recovery position of the relevant services and will revise its fees and charges including the deposit where possible.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)157

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1729)

Head: (116) Official Receiver's Office

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

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (MCKENNA Phyllis)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Official Receiver's Office (ORO) monitors the Administrative Panel Scheme for contracting out non-summary liquidation cases (each with estimated realisable assets of more than $200,000) to practitioners in the private sector. Would the Government inform this Committee of:

1. the number of the cases contracted out, the expenditure involved in contracting out the cases, and the monetary amount handled and involved in each case contracted out in the past 3 years;

2. the companies which participated in the scheme of the Government, the number of cases handled by each company, and the monetary amount in each case contracted out in the past 3 years; and

3. if the Government has reviewed the effectiveness of the scheme since its implementation in the past 3 years? Is there any plan to expand the current scheme?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 34)

Reply:

1. In the past 3 years, the number of non-summary liquidation cases outsourced to Private Insolvency Practitioners (PIPs) under the Administrative Panel Scheme (APS) is as follows:

Financial Year	**2020-21**	**2021-22**	**2022-23 (up to Feb 2023)**
Number of non-summary liquidation cases outsourced	27	12	16

Generally speaking, the PIPs charge fees from the assets realised on a time cost basis based upon the actual work involved in handling the cases. The Official Receiver's Office (ORO) does not maintain the value of realisable assets involved in each individual case.

2. The number of PIP firms admitted under the APS and the number of new cases taken up by each firm in the past 3 years are as follows:-

	2020-21	**2021-22**	**2022-23 (up to Feb 2023)**
Number of PIP firms as at financial year end	10	11	10
Number of new cases handled by each firm	ranging from 1 to 4	ranging from 0 to 2	ranging from 0 to 5

Note: In the absence of any nomination by creditors and contributories, the liquidator will be nominated for appointment according to a roster system, from the list of admitted PIP firms under the ORO's APS. The PIPs' admission to the APS requires a vetting process conducted by an Admission Committee comprising representatives from the ORO and professional bodies. The list of admitted PIP firms admitted to the APS is not published.

3. Under the APS, a liquidator will be nominated for appointment from the list of admitted PIP firms where there is no nomination by creditors and contributories ensuring a pool of properly qualified PIPs to administer these non-summary liquidation cases. The ORO has recently reviewed the APS and is of the view that it has been running smoothly and effectively. There is no plan to change the scope of the APS for the time being.

- End -

Examination of Estimates of Expenditure 2023-24

Reply Serial No.

FSTB(FS)158

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1730)

Head: (116) Official Receiver's Office

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

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (MCKENNA Phyllis)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Official Receiver's Office (ORO) commenced an exercise in 2008 with a view to clearing outstanding pre-2002 insolvency cases. In this connection, please inform the Committee of the following:

1. What is the current progress of the exercise? Is the backlog cleared? If no, please provide the number of cases involved and the estimated completion time.

2. For the insolvency cases in which the Official Receiver is the liquidator / trustee, all recovered estates of winding-up companies and bankrupts are required to be placed respectively in the winding-up companies' accounts and bankrupts' accounts. What is the balance in the relevant suspense accounts? Please provide the number of cases and amount of monies involved. Does the ORO have any measures to improve the situation? If yes, what are the details?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 35)

Reply:

1. As at February 2023, over 94% of the pre-2002 insolvency cases have been cleared. Of the 68 remaining outstanding cases, they involve either complex and diverse issues or certain factors outside the control of the Official Receiver's Office (ORO) including lengthy proceedings and claims/cooperation of third parties (e.g., disposal or buy-back of the bankrupt's interest in joint landed property involving co-owner or other interested parties). The ORO has formulated strategies and issued guidance to take forward the cases, and will continue to closely monitor their progress. The ORO will endeavor to complete these long outstanding cases as soon as possible.

2. The number of cases and the amount of monies involved in the relevant suspense accounts are as follows:-

	As at 28 February 2023	
	No. of cases involved	**Suspense account balance ($ million)**
Bankruptcy	37	9.3 *(Note)*
Liquidation	11	28.9 *(Note)*

(Note) Since April 2020, around $33.5 million and $1 million representing 188 bankruptcy cases and 14 liquidation cases respectively have been paid out from the suspense accounts. These represent around 87% and 70% of the suspense account balances for bankruptcy and liquidation cases respectively as at 31 March 2020. The majority of the existing suspense account balances shown in the table were received in 2022 or thereafter.

Approval is now required before funds are deposited into the suspense accounts to ensure that the funds are appropriately placed there. The ORO regularly reviews the nature of funds kept in the suspense accounts and closely monitors the accounts to ensure timely disposal of the funds.

- End -