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Replies to initial questions raised by Legislative Council Members in examining the Estimates of Expenditure 2024-25

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 5

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CONTROLLING OFFICER'S REPLY

(Question Serial No. 2998)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under Programme (2), the estimate for 2024-25 is \$15.8 million higher than the revised estimate for last year. This is mainly because additional funding is provided to the Financial Services Development Council (FSDC) for supporting the operation of the Hong Kong Academy for Wealth Legacy (HKAWL) and strengthening the FSDC's policy research and market promotion efforts. Would the Government inform this Committee of:

1. the number of family offices which set up their operations successfully in Hong Kong last year; and
2. the estimated number of talent who can receive training provided by the HKAWL with the new money?

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 45)

Reply:

- (1) According to the research findings of the consultant commissioned by Invest Hong Kong and publicised in March 2024, there were around 2 700 single family offices (FOs) as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. The dedicated FamilyOfficeHK team (the dedicated team) of Invest Hong Kong provides one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team has assisted 64 FOs to set up or expand their business in Hong Kong (including 26 FOs set up or expanded their business in Hong Kong in 2023). Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong.
- (2) The Financial Services Development Council (FSDC) has established the Hong Kong Academy for Wealth Legacy (HKAWL) in November 2023 to provide a platform for

collaboration, networking, knowledge sharing, and to provide relevant training for the FO sector, asset owners and wealth inheritors, with a view to promoting positive financial management values and strengthening the talent pool for family offices. The FSDC expects that around 400 people will participate in training, knowledge sharing and networking activities offered by the HKAWL in 2024-25.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)002

(Question Serial No. 2999)

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:

One of the matters requiring special attention in 2024-25 is to promote the development of green and sustainable finance in Hong Kong, including launching a new “Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme”, will the Administration inform this Committee of the following:

1. What projects have been launched over the last two years to promote the development of green and sustainable finance in Hong Kong? What are the manpower establishment and expenditure involved?
2. What projects will be launched under the scheme in 2024-25? What are the costs involved?

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 44)

Reply:

We have been taking a multi-pronged strategy to promote green and sustainable finance in Hong Kong. Specific measures taken in the past two years and to be taken 2024-25 are set out below.

(1) Promoting market development

(a) Government Green Bond

Under the Government Green Bond Programme (GGBP), the Government has issued approximately HK\$195 billion worth of green bonds so far, including retail, institutional, and tokenised bonds, funding various green projects in Hong Kong and providing important benchmarks for potential issuers. The 2023-24 Budget announced to expand the scope of the GGBP to cover sustainable finance projects. The 2024-25 Budget has announced that the borrowing ceiling of the GGBP (to be renamed as the Government Sustainable Bond Programme) and the Infrastructure

Bond Programme will be set at \$500 billion to allow more flexibility in quota re-allocation. The sums borrowed will be credited to the Capital Works Reserve Fund for investment in projects which are conducive to long-term development. A subcommittee on proposed resolution has been formed by the LegCo and we will support the work of the subcommittee as requested.

(b) Green and Sustainable Finance Grant Scheme (GSFGS)

The Government launched the GSFGS in May 2021 with a total provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services. As of early March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. The 2024-25 Budget proposes to extend the GSFGS, which is due to expire in mid-2024, by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. The Hong Kong Monetary Authority will announce the details in due course.

(c) Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme (PoC Scheme)

The Government will launch the PoC Scheme in the first half of 2024 with a total provision of \$10 million to provide early-stage funding support for green fintech, facilitating commercialisation and fostering the development of new green financial technology initiatives. Details will be announced in due course.

(2) Climate-related disclosures

(a) Alignment with international standards

The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards) in June 2023, as the global baseline for corporate disclosure of climate and sustainability-related information. The Government will work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards to align with international standards.

We have set up a working group (working group), which is co-led by the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission, with members comprising financial regulatory authorities and stakeholders (including Hong Kong Exchanges and Clearing Limited (HKEX) and the Hong Kong Institute of Certified Public Accountants (HKICPA)), to prepare the roadmap. The roadmap will comprise four key areas — sustainability reporting, assurance, data and technology, and capacity building. Assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards (Hong Kong Standards) aligned with the ISSB Standards as well as the complementary application and implementation guidance. FSTB published on 25 March this year a vision statement, setting out the vision and approach of the Government and financial

regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. The working group is already engaging with stakeholders to identify the specific circumstances that should be considered for the development and implementation of the Hong Kong Standards. Our target is to launch the roadmap within 2024, to provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong as well as sufficient time for making preparations and developing readiness for the pragmatic implementation of the Hong Kong Standards.

(b) Climate and Environmental Risk Questionnaire for Non-listed companies and small and medium enterprises

The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) formed by relevant Government Bureaux, financial regulators and HKEX launched in 2022 a Climate and Environmental Risk Questionnaire for Non-listed companies and small and medium enterprises. The Questionnaire is intended to assist the sustainability reporting processes of corporates concerned and raise their sustainability visibility to lenders, investors and supply chain clients. It also enables financial institutions' collection and assessment of company-level data for risk assessment and relevant business decisions. The digital version of the Questionnaire is available on the Steering Group's website to further facilitate reporting, and will support broader consent-based data sharing between corporates and financial institutions.

(c) Greenhouse gas emissions calculation and estimation tools

The Steering Group, in collaboration with the Hong Kong University of Science and Technology, launched greenhouse gas emissions calculation and estimation tools in February this year. These tools are available for free public access on the Steering Group's website to facilitate sustainability reporting by corporates and financial institutions in Hong Kong. They help equip small and medium enterprises with the means to manage their environmental footprint and encourage market participants to improve sustainable business practices.

(3) Nurturing and attracting talents

(a) Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme)

The Government launched in 2022 the 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. Upon completing eligible programmes or accomplishing relevant qualifications, applicants can apply for reimbursement of up to \$10,000. As of early March 2024, about 2 200 reimbursement applications were approved, involving a total reimbursement amount of around \$12 million. There were 63 eligible programmes and qualifications, including green and sustainable finance programmes and qualifications related to banking services, asset management, insurance industry, etc. These are provided by the professional and continuing education schools of

local universities, professional institutions, international training providers, etc., and the list will continue to be updated. The Government will continue to promote the Pilot Scheme with a view to actively establishing a local talent pool for green finance.

(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

The Green Technology and Finance Development Committee (Committee) was established in June 2023 under the chairmanship of the Financial Secretary. Members include representatives from relevant policy bureaux, departments and financial regulators, as well as 13 non-official members from industries concerned. The Committee’s discussions cover promoting the development of a green technology ecosystem, green finance, green transport, green buildings, etc., as well as promoting and publicising Hong Kong’s strengths in these areas, etc. The Committee has convened 3 meetings and will continue to explore accelerating the development of green technology and green finance in Hong Kong across various areas.

FSTB handles the above work with existing manpower and resources. There is no itemised breakdown of expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)003

(Question Serial No. 3000)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

One of the Matters Requiring Special Attention in 2024-25 is to promote Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaigns. Will the Financial Services and the Treasury Bureau inform this Committee of the scheduled activities and the specific estimated expenditure?

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

Reply:

The Financial Services and the Treasury Bureau (FSTB) is committed to promoting Hong Kong as a premier international financial centre and telling the world the good stories of Hong Kong through organising financial mega events such as the Asian Financial Forum and the Wealth for Good in Hong Kong Summit, and supporting the market promotion efforts of the Financial Services Development Council (FSDC). The Controlling Officer's Report of FSTB (Financial Services Branch) mentioned under "Matters Requiring Special Attention in 2024-25" for "Programme (2): Subvention: Financial Services Development Council" that the FSDC will promote Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaign. In this regard, with FSTB's financial support, the FSDC will continue its efforts to showcase the opportunities and strengths of Hong Kong to the world through active participation in local and international large-scale flagship events, conducting meetings for industry exchange, and strengthening collaborations with the Mainland and overseas financial markets.

In 2024-25, the FSDC will organise international events in coordination with strategic partners, industry associations and government bodies to promote the key development areas of the financial services industry, covering green and sustainable finance, FinTech, impact investing, digital assets RMB internationalisation, etc. These events include -

- (i) Asian Financial Forum (AFF): The FSDC will co-sponsor and host a key panel discussion with a relevant financial institution to promote the development of Hong Kong's financial services industry. The estimated expenditure is about \$500,000;
- (ii) Hong Kong FinTech Week: The FSDC will sponsor a panel discussion session and invite representatives from FinTech companies to explore and share experiences in FinTech issues. The estimated expenditure is about \$170,000;
- (iii) The Belt and Road Summit: The FSDC will sponsor a panel discussion session for senior government officials and business leaders from countries and regions along and beyond the Belt and Road (B&R) to explore the business opportunities availed by the B&R. The estimated expenditure is about \$310,000;
- (iv) Earth Forum 2024: The FSDC will co-organise a forum on "Transition Finance Towards a Net Zero Economy" with the Friends of the Earth (HK) and the China Sustainable Investment Forum. This forum will invite participation from the Government and regulatory bodies, as well as financial services entities in Hong Kong, the Mainland and overseas, with the aim of fostering the development of sustainable finance in Hong Kong. The estimated expenditure is about \$20,000; and
- (v) The 29th Conference of the Parties of the United Nations Framework Convention on Climate Change (COP29): The FSDC plans to co-organise a side event with the Friends of the Earth (HK) to promote Hong Kong as a leading centre of green and sustainable finance. The related expenses are included in the \$1.5 million estimated expenditure for market promotion as mentioned below.

The FSDC will continue to organise meetings for industry exchange, with participation by local, Mainland and overseas industry leaders, practitioners in the financial services industry, and academics. The total estimated expenditure for these activities is about \$1 million.

On market promotion, the FSDC will increase the number of external visits in 2024-25 to reinforce confidence in Hong Kong. Planned visits will cover the Middle East, ASEAN and the EU. The purpose is to establish relationships with relevant organisations and better understand industry views for proposing relevant market facilitation measures to the Government. In addition, the FSDC will establish advisory groups to provide practical suggestions on enhancing the connectivity with the Middle East and ASEAN regions, and fostering stronger relationships. The estimated expenditure is about \$1.5 million.

Separately, upon its establishment by the FSDC last year, the Hong Kong Academy for Wealth Legacy (HKAWL) co-organised a family office symposium with the Private Wealth Management Association and the Hong Kong Trade Development Council on 25 January 2024 to discuss topics relating to family wealth, family enterprises, etc. On 4 March 2024, the Executive Director of the HKAWL participated in the first Asia-Pacific Family Office Development Forum as a guest speaker to share the latest developments in promoting family offices in Hong Kong. The HKAWL will collaborate with the Hong Kong Council of Social Service to co-host a policy dialogue session titled "Emerging Trends of Philanthropy and Impact Investment in Asia: Opportunities and Challenges" at the annual "S+ Summit cum Expo" in May 2024. The HKAWL will continue to organise and participate in different industry exchange activities to promote Hong Kong as a leading global family office hub.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)004

(Question Serial No. 0908)

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 Central People's Government promulgated the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in 2019, supporting Hong Kong's development into a green finance centre in the region, and the Administration has all along been promoting Hong Kong's development into an international green finance centre. In this connection, will the Government inform this Committee of:

- (1) the details of the events involving the financial field in the "Hong Kong Green Week" organised in late February this year; and the expenditure involved in the "Hong Kong Green Week";
- (2) the staff establishment, estimated salary expenditure, total estimated expenditure and timetable for 2024-25 involved in the formulation of a roadmap and vision in respect of sustainability disclosure by the Financial Services and the Treasury Bureau to deepen the green and sustainable finance development; and
- (3) the expenditure and work involved in promoting Hong Kong's development into an international green finance centre in the coming year?

Asked by: Hon CHAN Kapui, Judy (LegCo internal reference no.: 35)

Reply:

- (1) The Hong Kong Green Week (HKGW) held during 26 February - 2 March 2024 covered a series of events. Those focusing on financial services included the following –
 - (i) seminar on "Green Fintech: Catalyst for Scaling Sustainable Finance" organised by the Green and Sustainable Finance Cross-Agency Steering Group (which is formed by relevant Government Bureaux, financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX));

- (ii) “Climate Business Forum: Asia Pacific”, “Asia Climate Finance Roundtable”, “HKMA IFFO-GFANZ Seminar: Financing the Net-zero Transition”, “HKMA-HKUST-HKGFA Seminar: Taxonomy for Hong Kong” and “HKMA IFFO-BRIGC Seminar: Financing the Green Development of the Belt & Road Initiative” co-organised by the Hong Kong Monetary Authority (HKMA) and other organisations;
- (iii) seminar on “Leveraging BuildTech and Green Finance in Public Housing” organised by the Housing Bureau;
- (iv) seminar on “Hong Kong Green FinTech Summit” and “Harnessing PropTech, ESG, and FinTech for a Greener Future” co-organised by the Cyberport and other organisations;
- (v) webinar on “2024 Sustainability & Climate Trends to Watch — The APAC View” organised by the Chartered Financial Analyst Institute and MSCI; and
- (vi) “Launching Ceremony of Insurance Industry Climate Charter and Knowledge Exchange Forum” organised by the Hong Kong Federation of Insurers.

For the expenditure on HKGW, the 2 events for which the Housing Bureau and the Environment and Ecology Bureau had directly participated in their organisation and the overall publicity involved around \$383,000. The expenditure for other events was borne by the respective organisers.

(2) and (3)

In the coming year, the Government in collaboration with the financial regulators and industry will continue to promote green and sustainable finance in Hong Kong under a multi-pronged strategy, seeking to provide the necessary infrastructure and drive to facilitate market development. The detailed measures are outlined below.

Government Green Bonds

Under the Government Green Bond Programme (GGBP), the Government has issued approximately HK\$195 billion worth of green bonds so far, including retail, institutional, and tokenised bonds, funding various green projects in Hong Kong and providing important benchmarks for potential issuers. The 2023-24 Budget announced to expand the scope of the GGBP to cover sustainable finance projects. The 2024-25 Budget has announced that the borrowing ceiling of the GGBP (to be renamed as the Government Sustainable Bond Programme) and the Infrastructure Bond Scheme will be set at \$500 billion to allow more flexibility in quota re-allocation. The sums borrowed will be credited to the Capital Works Reserve Fund for investment in projects which are conducive to long-term development. Upon the Legislative Council’s approval of the borrowing ceiling, the Government will take forward the preparatory work as soon as possible. Details of bond issuances will be announced in due course.

Green and Sustainable Finance Grant Scheme (GSFGS)

As of early March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. The 2024-25 Budget proposes to extend the GSFGS, which is due to expire in mid-2024, by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. The HKMA will announce the details in due course.

Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme (PoC Scheme)

The Government will launch the PoC Scheme in the first half of 2024 with a total provision of \$10 million to provide early-stage funding support for green fintech, facilitating commercialisation and fostering the development of new green financial technology initiatives. Details will be announced in due course.

Climate-related Disclosures

The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards) in June 2023, as the global baseline for corporate disclosure of climate and sustainability-related information. The Government will work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards to align with international standards.

We have set up a working group, which is co-led by the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission with members comprising financial regulators and stakeholders (including HKEX and the Hong Kong Institute of Certified Public Accountants (HKICPA)), to prepare the roadmap. The roadmap will comprise 4 key areas — sustainability reporting, assurance, data and technology, and capacity building. Assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards (Hong Kong Standards) aligned with the ISSB Standards as well as the complementary application and implementation guidance. FSTB published on 25 March this year a vision statement, setting out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. The working group is already engaging with stakeholders to identify the specific circumstances that should be considered for the development and implementation of the Hong Kong Standards. Our target is to launch the roadmap within 2024, to provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong as well as sufficient time for making preparations and developing readiness for the pragmatic implementation of the Hong Kong Standards.

Capacity Building

The Government launched in 2022 the 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. Upon completing eligible programmes or

accomplishing relevant qualifications, applicants can apply for reimbursement of up to \$10,000. As of early March 2024, there were 63 eligible programmes and qualifications as provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc., and the list will continue to be updated. About 2 200 reimbursement applications have been approved, involving a total reimbursement amount of around \$12 million. The Government will continue to promote the Pilot Scheme with a view to actively establishing a local talent pool for green finance.

FSTB handles the above work with existing manpower and resources. There is no itemised breakdown of expenditure.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0919)

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 Programme (1), there is a decrease of \$132.4 million, or 56.5%, in the funding requirement of the eMPF Platform Project for 2023-24 against the original estimate, which is due in part to the delay in system readiness. On the other hand, the estimate of the Project for 2024-25 is increased to \$470 million, which is 361.9% higher than the estimate for 2023-24. This is mainly due to the deferral of payment for the system to that year and an increase in maintenance fee. In this connection, will the Government inform this Committee of:

- a. the details of and reasons for the delay in system readiness in 2023-24 and the latest progress;
- b. whether the delay in system readiness will affect the original plan of commencing the migration of account information to the Platform in the second quarter of 2024 and the target of completing the migration in 2025; and
- c. the details of and reasons for the increase in maintenance fee in 2024-25 and whether the provision for the Project will be insufficient because of the increase?

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

Reply:

Having consulted the Mandatory Provident Fund Schemes Authority (MPFA), reply to the three-part question is as follows.

(a) and (b)

One of the main reasons for the Contractor's failure to deliver system readiness of the eMPF Platform on time as per the contractual requirement is that the Contractor has underestimated the level of complexity and manpower requirements of the eMPF Platform Project. In this regard, the MPFA and its wholly-owned eMPF Platform Company Limited (the Company) have been implementing a series of project management and quality control enhancement measures since early 2023, including

demanding the Contractor to increase manpower, catch up on the project progress, and enhance resource management, and ensure that the system quality can meet the standards stipulated in the contract.

Taking into account the latest project progress and final results from the independent consultant's system readiness assessment, the latest assessment by the MPFA and the Company is that the system is ready for commencement of trustee onboarding, and that phased onboarding of trustees to the Platform that is well tested against the criteria of robustness, reliability, quality and user-friendliness could commence in June 2024, with full implementation expected to be achieved in 2025.

With this, the Government will publish legal notices in the Gazette by batches to prepare for the launch of the eMPF Platform and onboarding of the first batch of Mandatory Provident Fund (MPF) trustees.

- (c) Our 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 Company. The provision in the estimates will be used to meet the forecast expenditure of the Project in the following year.

As the Contractor has failed to deliver system readiness of the eMPF Platform on time as per the contractual requirement, payment milestones in respect of the Platform's maintenance fee payable by the Company to the Contractor have been deferred accordingly. Specific impacts on the Government's expenditure estimates have been reflected in the 2023-24 revised estimate and 2024-25 estimate, as set out below –

Expenditure item (Unit: \$ million)	Government Financial Year ^{Note 1}	
	2023-24	2024-25
Software update fee	6.15	73.39
Manpower costs for the Contractor's Maintenance Team	5.54	67.02
Maintenance fee for hardware	0.82	10.50
eMPF Platform maintenance fee ^{Note 2}	12.51	150.91 ^{Note 3}

Note 1 : The provision in 2023-24 has been made to the Company to cover the Platform's maintenance fee for 2024-25. Likewise, the estimate in 2024-25 will be used for the Platform's maintenance fee in 2025-26.

Note 2 : The abovementioned estimates represent the upper limits stipulated in the contract. The final amount of eMPF Platform maintenance fee payable by the Company to the Contractor will depend on the actual usage of software update/hardware maintenance services.

Note 3 : The eMPF Platform maintenance fee for 2024-25 only involves one month's maintenance fee, hence lower than the full-year maintenance fee in 2025-26.

Since the contract is a fixed-price contract, there will be no impact on the Government funding of some \$4.9 billion earmarked for the project if there are project delays or additional costs are incurred.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)006

(Question Serial No. 0920)

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 “advance financial co-operation with the Mainland to take forward initiatives in relation to the financial services industry in the development of the Guangdong-Hong Kong-Macao Greater Bay Area”. In this connection, will the Government inform this Committee of the following?

- a. The insurance sector is very concerned with the implementation of the initiative in relation to insurance after-sales service centres in the Greater Bay Area (GBA). The Government has indicated earlier that the preparatory work for setting up the centres in Nansha and Qianhai of Shenzhen has entered the final stage. What is the latest progress and when will the service expected to be officially launched?
- b. The insurance sector understands that there are complicated regulatory issues associated with the Cross-boundary Insurance Connect, which may take a longer time to study. Therefore, the insurance sector proposes to include investment-linked assurance as one of the wealth management products under the existing Cross-boundary Wealth Management Connect. Will the Government consider the above proposal?

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

Reply:

The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is an ideal entry point for the Hong Kong insurance industry to participate in the national “Dual Circulation” strategy. All along, the Government, together with the Insurance Authority (IA), has been actively pursuing measures to promote mutual access of insurance markets in the GBA, aiming to provide convenience and facilitate exchange for residents across GBA cities, while supporting the insurance industry to seize opportunities arising from the GBA development.

To this end, we are striving for early establishment of 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 including enquiries, claims and policy renewal to GBA residents who are holders of Hong Kong policies. The IA and relevant Mainland regulators have reached in-principle consensus on the implementation proposal for establishing the service centres, and are deliberating specific details including unified standards and requirements as well as regulatory cooperation. Meanwhile, the Hong Kong Federation of Insurers has been coordinating preliminary preparation work, such as formulating mode of operation and detailed arrangement in terms of equity shares, so that services may be up and running soon after the implementation proposal is finalised.

Regarding measures that involve selling of Hong Kong insurance products in the Mainland, there are complex issues such as cross-boundary flow of capital and the laws regulating the two places, as well as the need to study problems of interfacing different regulatory policies, product design and sales practices. Building on the implementation of the service centre initiative and observing the bounds of law, regulatory requirements and manageable risks, we will make reference to relevant experience and explore with Mainland authorities feasible ways of enhancing connectivity between insurance markets in the Mainland and Hong Kong.

In furthering progress of insurance cooperation between the Mainland and Hong Kong, we greatly value the support and participation of the insurance industry. We will carefully consider views relating to various cross-boundary financial cooperation measures, and maintain close communication with the industry in this regard.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0921)

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 Branch “will advance financial co-operation with the Mainland, including fulfilling the goals set out in the National 14th Five-Year Plan”. In fact, the National 14th Five-Year Plan clearly states the country’s commitment to enhancing Hong Kong and Macao’s integration into the overall development of the country, as well as deepening and widening the mutual financial markets access between the Mainland, Hong Kong and Macao. It is proposed by the insurance industry this year that the Government should strive for mutual recognition of regulatory requirements and compliance qualifications with the Mainland for various trades and industries, including the insurance industry, so as to achieve real interconnectivity. This can avoid double efforts on regulatory and compliance matters from both places to meet each other’s requirements under different systems, which would be a waste of time and resources and in effect cause a hindrance to Hong Kong’s integration into the overall development of the country. Moreover, the insurance industry considers that the ever-increasing number of compliance requirements has completely deprived the advantages of flexibility and versatility that the industry enjoyed in the past. In this connection, will the Government inform this Committee of the following:

- a. Has the Government discussed and studied with Mainland financial regulators the issues on mutual recognition of regulatory requirements and compliance qualifications for the financial institutions in both places?
- b. Will the Government review the existing manifold compliance requirements imposed on the insurance industry and ensure that they are in line with the international standards while, at the same time, being appropriately loose to create a favourable business environment for sustainable development of the industry?

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

Reply:

- (a) The Government is committed to supporting the insurance industry of Hong Kong in actively integrating into the overall development of the country and maintains close contact with relevant Mainland financial regulators on relevant issues. For instance, the Insurance Authority (IA) and insurance regulators of Guangdong, Shenzhen and Macao utilise the quadripartite Joint Meeting of Insurance Regulators as a platform to exchange views on latest development trends, maintaining efforts to deliberate and study various issues relating to promotion of mutual exchange in the Greater Bay Area, regulatory requirements, compliance qualifications, etc. We implemented in July 2023 the “unilateral recognition” policy for cross-boundary motor insurance in tandem with the Northbound Travel for Hong Kong Vehicles, which extends the coverage of third-party insurance policies issued by Hong Kong insurers in respect of relevant Hong Kong private cars to cover third-party liability in the Mainland, thereby deeming such policies as equivalent to the mandatory traffic accident liability insurance for motor vehicles in the Mainland. This provides more convenient arrangement for Hong Kong car owners to secure the necessary insurance coverage for driving in the Mainland, and demonstrates effective regulatory cooperation with relevant Mainland authorities. Moreover, we are working with the IA to strive for early establishment of insurance after-sales service centres in locations such as Nansha and Qianhai. The experience of implementing this measure will facilitate further exploration with Mainland regulatory authorities on the way forward for mutual recognition of regulation and compliance requirements for the insurance industry between the two places. We will maintain communication with Mainland regulators for relevant issues on regulation and compliance of financial institution in the two places.
- (b) We continuously review the insurance regulatory regime of Hong Kong to safeguard market stability and create a favourable business environment to promote industry development. To this end, we make reference to international regulatory standards, while giving consideration to the actual operating environment of the insurance industry in Hong Kong. Take the upcoming Risk-based Capital regime as an example, the capital requirements under the new regime will be more sensitive to the risk profile of each insurance company, so that insurance companies with solid risk management measures as well as better asset and liability management will shoulder lower capital requirements. There will also be flexible measures under the new regime to suitably accommodate the actual situation of the insurance industry in Hong Kong, such as exempting small-scale general insurance companies from having to appoint actuaries and prescribing more relaxed capital requirements for captive and marine insurance companies.

In terms of promoting sustainable development of the industry, we strive to propel development of insurance-linked securities (ILS) and took forward legislative amendments to establish a dedicated regulatory regime in 2021, followed by the pilot grant scheme launched in the same year. We have facilitated four issuances of catastrophe bonds in Hong Kong to date, with one issuance being the inaugural listing of ILS. We also provide subsidies to internships for tertiary students and professional training for industry practitioners through the Pilot Programme to Enhance Talent Training for the Insurance Sector, which serves to nurture professional talent as well as promote employment opportunities and career prospects in the insurance industry.

We will continue to maintain close liaison with the industry, with a view to striking a balance between upholding prudential regulation and promoting market development.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)008

(Question Serial No. 0922)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 36 of the Budget Speech that the Government will submit a legislative proposal in the first half of 2024 enabling companies domiciled overseas, especially enterprises with a business focus in the Asia-Pacific region, to re-domicile in Hong Kong. Having keen demand for re-domiciliation, the insurance industry expects the Government to put in place the re-domiciliation mechanism as soon as possible. In this connection, will the Government inform this Committee of the following:

- a. whether the Government will, when introducing the re-domiciliation mechanism, provide comprehensive or even tailor-made assistance for enterprises with intention to re-domicile to Hong Kong so as to help them overcome the difficulties they meet in re-domiciliation;
- b. given that a number of Hong Kong listed companies are domiciled overseas, whether the Government will encourage them to re-domicile to Hong Kong by, for example, providing financial incentives to lower the costs of re-domiciliation; and
- c. the specific results of communication at present as the Government indicated that it would, in the light of the views expressed by the insurance industry, commence communication with jurisdictions where the relevant enterprises were originally domiciled, including Bermuda where many insurers were registered?

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

Reply:

- (a) In 2023, we carried out a public consultation on the proposed company re-domiciliation regime, during which we reached out to various stakeholders including business chambers, professional associations and relevant advisory bodies to collect their views. We also consulted the Legislative Council Panel on Financial Affairs. We are following up on the views concerning matters such as the application eligibility and process of the proposed re-domiciliation regime and its impact on company operation

as raised by stakeholders including the Hong Kong Federation of Insurers for incorporation into the legislative proposal as appropriate with a view to making the re-domiciliation procedures more clear and user-friendly. In particular, we are considering adjustments to requirements for applying companies to obtain members' consent and submit auditing financial reports, etc., with a view to facilitating interested companies to re-domicile to Hong Kong. We will also allow non-Hong Kong companies which are currently registered in Hong Kong for carrying out business to retain its name and business registration number in Hong Kong after re-domiciliation to avoid interruption to the business operation of the companies due to the change in name and business registration number. Specifically, the proposed company re-domiciliation regime will be applicable to companies of which the original domicile allows outward re-domiciliation. The regime will not specify business natures nor impose economic substance test on the applying companies. A company applying for re-domiciliation to Hong Kong should also fulfil requirements in relation to integrity, member and creditor protection, and solvency so as to ensure that the company will not be used for unlawful purposes, contrary to public interest.

- (b) Under the unique advantage of “One Country Two Systems”, 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 domicile to Asia.

After the implementation of the companies re-domiciliation regime, we will collaborate with InvestHK and the Hong Kong Exchanges and Clearing Limited to reach out to major Hong Kong listed companies domiciled overseas and encourage them to re-domicile to Hong Kong. The Economic and Trade Offices will in parallel promote and introduce the re-domiciliation regime to foreign enterprises.

The introduction of a company re-domiciliation regime is proposed out of development considerations. We hope to leverage Hong Kong's existing advantages and policy measures to attract non-Hong Kong companies to re-domicile to Hong Kong and develop their business locally in the long run. We do not intend to provide additional financial incentives.

- (c) In response to the insurance sector's suggestion, we initiated communication with the relevant Bermuda authorities in 2023 on the re-domiciliation of companies registered in Bermuda to Hong Kong. The Bermuda authorities advised that companies registered in Bermuda may apply for re-domiciliation to Hong Kong subject to their consideration on a case-by-case basis. We are in parallel seeking the designation of Hong Kong as Bermuda's designated jurisdiction. Upon designation, the Bermuda authorities will not need to consider the suitability of Hong Kong as the re-domiciliation destination for each application. This would simplify the procedure and reduce the time required for Bermuda companies to re-domicile to Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)009

(Question Serial No. 0923)

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 Government will promote the development of the asset and wealth management sector, including implementing the New Capital Investment Entrant Scheme (New CIES). The insurance sector reflected that the permissible financial assets listed by the Government under the New CIES has all along included the investment-linked assurance scheme (ILAS) which, however, requires approval from both the Insurance Authority and the Securities and Futures Commission and even additionally from the Hong Kong Monetary Authority in case of ILAS offered by banks, resulting in duplicated efforts and longer time for vetting ILAS products. In this connection, will the Government inform this Committee whether it will consider putting all financial products under a standardised vetting procedures and timeframe to achieve the goal of fair competition?

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

Reply:

An Investment-Linked Assurance Scheme (ILAS) is a product providing both life insurance protection and investment options, and the policy value is subject to market fluctuations. Therefore, to regulate such products, the Securities and Futures Commission (SFC) is responsible for their product authorisation and the approval offering documents, while the Insurance Authority (IA) supervises the relevant insurance companies and intermediaries. For selling of ILAS products through bank channel, relevant insurance intermediaries are also subject to regulation by the Hong Kong Monetary Authority.

To support stable market development and safeguard the interests of investors, the IA and SFC at end-2021, having liaised with the industry, streamlined the regulatory application procedures and updated relevant guidelines on the structure, mortality protection element, fee structure, sales practice, etc. of the product. To date, 22 product applications have been approved, with the process time for each application taking about two to three months. To

enhance efficiency, the two regulatory bodies have delineated principles and responsibilities respectively, and work in parallel at various stages.

The New Capital Investment Entrant Scheme (New CIES) was launched on 1 March 2024. The full list of eligible collective investment schemes under the New CIES (including the 22 authorised ILAS products mentioned above) is published on the SFC's website for reference by New CIES applicants.

The government, together with relevant financial regulators, would work to maintain close communication with the industry, and explore ways to strike an appropriate balance between facilitating market development and maintaining prudent regulation.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0927)

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 37 of the Budget Speech that “we are striving to open up new capital sources, including those from the Middle East. At the end of last year, the Asia-Pacific region’s first Exchange Traded Fund (ETF), which tracks stocks in Saudi Arabia, was listed in Hong Kong, a milestone in enhanced mutual access between our two markets. The Hong Kong Monetary Authority (HKMA) is also working with a number of financial institutions on the listing of an ETF in the Middle East that tracks Hong Kong stock indices.” In this connection, will the Government inform this Committee of the following:

- a. Last year, the HKEX added the Saudi Exchange and the Indonesia Stock Exchange to its list of recognised stock exchanges. At present, apart from the first ETF which tracks stocks in Saudi Arabia, are there any other enterprises in Saudi Arabia or Indonesia which will, or are planning to, seek a secondary listing in Hong Kong?
- b. Has the Government or the HKMA carried out any promotion work in Saudi Arabia or Indonesia, or reached out to or liaised with any enterprises in those countries which intend to establish a presence in Hong Kong?
- c. What is the progress of negotiation with regard to the planned listing of the ETF in the Middle East which tracks Hong Kong stock indices? What are the specific details and when is the listing expected to take place?

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

Reply:

(a) and (b)

The Government, the Securities and Futures Commission and Hong Kong and Exchanges Clearing Limited (HKEX) are committed to attracting companies of different

sizes and with growth potential from around the world (including markets along the Belt and Road such as the Middle East and the Association of Southeast Asian Nations (ASEAN)) to list and raise funds in Hong Kong for business expansion, exemplifying Hong Kong's function as an international fundraising and financing centre.

HKEX signed a memorandum of understanding with the Saudi Tadawul Group Holding Company and the Indonesia Stock Exchange respectively and included them into the list of recognised stock exchanges in 2023, allowing companies listed on their main boards to apply for secondary listing in Hong Kong. Last year, the Asia-Pacific region's first Exchange-traded Fund (ETF) tracking the Saudi Arabia market was listed in Hong Kong, marking an important milestone in strengthening connectivity between the two markets. Hong Kong continues to provide companies from target markets such as the Middle East and ASEAN with an effective platform to access international capital and explore new markets. For example, a global logistics company from Indonesia was listed in Hong Kong last year. On the basis of the enhancements of the listing regime for overseas issuers over the last few years and the expansion of the scope of recognised stock exchanges, HKEX will continue to promote the channels and advantages of dual listing and secondary listing in Hong Kong to relevant markets, thereby attracting more enterprises to raise funds in Hong Kong.

To promote the unique advantages of Hong Kong's capital market abroad, the Government has been utilising various channels for publicising Hong Kong's good image internationally and connecting with overseas enterprises. In this regard, the Chief Executive led a delegation to various countries in the Middle East and Southeast Asia in February and July 2023 respectively, including visiting Saudi Arabia and Indonesia to meet with local officials and business leaders to promote Hong Kong's advantages in different areas such as finance and trade as well as the immense opportunities under "one country, two systems". The Hong Kong Monetary Authority (HKMA) and representatives of the Hong Kong banking sector visited Thailand in January this year to promote the latest developments in Hong Kong (including our banking industry and capital market) and explore new opportunities arising from the deepening economic and financial ties between the two places.

In order to further promote Hong Kong's securities market and fundraising platform to overseas enterprises and capital, HKEX is preparing for various major promotion activities in the coming year, including jointly organising different thematic flagship summits and events with organisations in the Middle East and Southeast Asia. It aims to strengthen the connection between Hong Kong and overseas markets as well as explore how to leverage Hong Kong's capital market to support research and development and commercialisation for enterprises, with a view to generating more interest from issuers and capital in the Hong Kong market. HKEX will also continue to participate in different outreach activities, expanding the coverage of enterprises and introducing the latest rules and listing channels to enterprises which are interested to list in Hong Kong through thematic speeches, forum exchanges, and roadshow events. The Government will proactively assist interested enterprises through the Office for Attracting Strategic Enterprises, Invest Hong Kong, and Economic and Trade Offices in the Mainland and overseas, as well as organise international financial mega events to strengthen networking and tell the good stories of Hong Kong.

- (c) The HKMA is discussing with industry participants the detailed arrangements for structuring and launching an ETF in the Middle East tracking Hong Kong stock indices, and a few asset management companies have expressed an interest to launch such an ETF. The HKMA has already started conducting a request for proposal exercise to select one or more asset management firms to manage the ETF. The selected asset management firm(s) will need to obtain regulatory approvals and set up the infrastructure in preparation for the launch of the ETF. The exact timing will depend on the design of the ETF and the progress of regulatory application. When the necessary preparation has been made, the HKMA will conduct publicity and promotion with the selected asset management firm(s) on the launch arrangements.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)011

(Question Serial No. 0928)

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 142 of the Budget Speech that “we will set a borrowing ceiling of a total of \$500 billion for these two programmes (i.e. the Government Green Bond Programme and the Infrastructure Bond Scheme) to allow more flexibility in quota re-allocation. The sums borrowed will be credited to the Capital Works Reserve Fund for investment in projects which are conducive to long-term development.” As a matter of fact, although the Government expects that the ratio of its debt to GDP will be in the range of about 9 to 13% in the coming few years, Hong Kong will still be one of the advanced economies with the lowest debt levels. In addition, by committing not to use the proceeds from bond issuance for funding government recurrent expenditure, the Government has in fact ring-fenced the funds for investing in Hong Kong’s future. In this connection, will the Government inform this Committee of the following:

- a. How did the Government arrive at the borrowing ceiling of \$500 billion? What is the approximate ratio of this ceiling to GDP?
- b. The bond programmes serve to provide cashflow for infrastructure projects and foster the development of the bond market. Please elaborate on the specific benefits of the bond programmes to the Hong Kong bond market.
- c. Is bond issuance a long-term strategy for Hong Kong? Will the Government, like Singapore, continue to offer the two bond programmes after restoring the balance of public finances, with the aim of investing in Hong Kong’s future and fostering the development of the bond market?

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

Reply:

- (a) The Government plans to issue bonds as a means of financing, investing in the future of Hong Kong. The current borrowing ceiling under the Government Green Bond Programme (GGBP) is \$200 billion. As announced in the 2024-25 Budget, the borrowing ceiling would be set at a total of \$500 billion for the Infrastructure Bond Programme (IBP) and the Government Sustainable Bond Programme (GSBP), representing an increase of \$300 billion from the current borrowing ceiling of GGBP. The bond proceeds will be used to drive the development of the Northern Metropolis (NM) and other infrastructure projects to facilitate their implementation. The amount of increment in borrowing ceiling is based on the estimated funding need of the major infrastructure projects (including the NM) in the coming years. Setting the borrowing ceiling at \$500 billion provides sufficient headroom for future issuances, and at the same time keeping Hong Kong's overall debt at a relatively low level. The issuance amount announced in the Budget is a forward-looking estimate, while the actual issuance amount would depend on the actual fiscal position, market condition and progress of infrastructure projects. We expect the Government debt-to-GDP ratio to remain in the range of about 9 to 13 per cent from 2024-25 to 2028-29.

(b) and (c)

The Government has been issuing government bonds systematically through various programmes (e.g. the Government Bond Programme (GBP) and the GGBP), with a view to promoting the sustainable development of the local and green bond markets. To ensure the continuity of the policy and measures, the Government has been issuing bonds under these programmes even in years with fiscal surplus.

In terms of the roles played in respect of bond market development, the two programmes mentioned above both comprise an institutional element and a retail element. On the institutional front, its main purpose is to establish representative benchmark yield curves to facilitate the market in determining the pricing of other types of bonds (such as corporate bonds). Apart from that, issuance of institutional government bonds would satisfy the demand of institutional investors, such as pension funds, banks and insurance companies on public debt paper. On the retail front, the Government issues inflation-linked bonds (including iBond, Silver Bond and retail green bond) not only to meet the general public's demand for high quality, stable investments, but also to promote their understanding of bond investment. Through the efforts of the Government, Hong Kong has grown into an international bond centre in Asia, ranking first in the region for 7 consecutive years in terms of the volume of international bond issuance.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)012****(Question Serial No. 2295)**

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 60 of the Budget Speech, organising thematic conferences can help reinforce Hong Kong's branding. The Global Financial Leaders' Investment Summit and the Asian Financial Forum are two very successful illustrations of this. In this connection, please inform this Committee of:

1. the number of thematic conferences and events such as the Global Financial Leaders' Investment Summit and the Asian Financial Forum held in the past 3 years, as well as the number of participants and their effectiveness; and
2. the number of similar thematic conferences planned to be organised in the coming 3 years and the details.

Asked by: Hon CHAN Man-ki, Maggie (LegCo internal reference no.: 33)

Reply:

(1) Details of the thematic conferences held in the past three financial years are as follows:

Date	Activity name	Activity details	Number of participants and outcome
1 to 5 Nov 2021	Hong Kong FinTech Week 2021	Under the theme "Scaling FinTech Future Together", the event explored the latest developments of financial technology (Fintech).	The event attracted over 20 000 participants and over 4 million views online from 87 economies, featured over 300 distinguished speakers and over 400 exhibitors, as well as 39 Mainland and international delegations.

Date	Activity name	Activity details	Number of participants and outcome
7 Dec 2021	Asian Insurance Forum 2021	The Asian Insurance Forum (AIF) is the annual flagship event of the Insurance Authority (IA) in Hong Kong. Held in a hybrid format, the AIF provides an effective platform for delegates from different segments of the insurance industry and different regions to share insights on development prospects and opportunities in the Asian insurance market.	The AIF delved into contemporary topics through discussions among around 1 000 leading players and experts in the insurance and financial markets as well as the authorities in Hong Kong, in the Mainland and from abroad. Hong Kong's unique positioning and competitive advantages as an international financial centre and global insurance hub were always emphasised in the forum.
10 to 11 Jan 2022	Asian Financial Forum 2022	The Asian Financial Forum is Hong Kong's annual flagship event and a key event for the region's financial community. Held in a virtual format under the theme "Navigating the Next Normal towards a Sustainable Future", the forum discussed global economic and financial issues, and explored collaboration opportunities.	The forum attracted more than 63 000 participants, including officials, representatives of multilateral organisations, and financial and business leaders, from 80 nations and regions.
31 Oct to 4 Nov 2022	Hong Kong FinTech Week 2022	Under the theme "Pushing Boundaries, Reaping Benefits", the event explored the latest developments of Fintech.	The event attracted over 30 000 participants and over 5 million views online from over 95 economies, featured over 500 distinguished speakers and over 600 exhibitors, as well as more than 30 Mainland and international delegations.
1 to 3 Nov 2022	Global Financial Leaders' Investment Summit (2022)	On 1 November, the three-day event commenced with a welcome dinner at M+, followed by the main summit on 2 November which featured speeches, panel discussions, and a fireside chat under the theme of "Navigating Beyond Uncertainty". The summit officially wrapped up on 3 November with a programme of "Conversations with Global Investors", co-hosted by the Hong Kong Monetary Authority	The summit was a success and attracted the participation of over 200 financial industry leaders around the globe. It sent a powerful message to the world that "Hong Kong is back to normal", and allowed global financial leaders to see for themselves the resilience and vibrancy that define Hong Kong, and the opportunities that the city offers to pivot their businesses to the burgeoning Asian markets.

Date	Activity name	Activity details	Number of participants and outcome
		(HKMA) and the Hong Kong Academy of Finance.	
5 Dec 2022	Asian Insurance Forum 2022	The AIF is the annual flagship event of the IA in Hong Kong. Held in a hybrid format, the AIF provides an effective platform for delegates from different segments of the insurance industry and different regions to share insights on development prospects and opportunities in the Asian insurance market.	The AIF delved into contemporary topics through discussions among around 1 500 leading players and experts in the insurance and financial markets as well as the authorities in Hong Kong, in the Mainland and from abroad. Hong Kong's unique positioning and competitive advantages as an international financial centre and global insurance hub were always emphasised in the forum.
11 to 12 Jan 2023	Asian Financial Forum 2023	The Asian Financial Forum is Hong Kong's annual flagship event and a key event for the region's financial community. The forum was held in a hybrid format, accessible both online and physically. Under the theme "Accelerating Transformation: Impact · Inclusion · Innovation", it discussed global economic and financial issues, and explored collaboration opportunities.	The forum attracted more than 7 000 participants, including officials, representatives of multilateral organisations, and financial and business leaders, from over 70 nations and regions.
24 Mar 2023	Wealth for Good in Hong Kong Summit	The Wealth for Good in Hong Kong Summit, a top-level exclusive summit organised by the Financial Services and the Treasury Bureau (FSTB) and Invest Hong Kong (InvestHK), attracted influential family offices from around the world to discuss the most pressing issues facing family offices.	The summit was attended by over 100 key decision makers from global family offices and their professional teams. It showcased Hong Kong's appeal as a world-leading international asset and wealth management hub and its long-term future.
30 Oct to 5 Nov 2023	Hong Kong FinTech Week 2023	Under the theme "Fintech Redefined", the event explored the latest developments of Fintech.	The event attracted over 35 000 participants and over 5.5 million views online from over 100 economies, featured over 800 distinguished speakers and over 700 exhibitors, as well as more than 30 Mainland and international delegations.

Date	Activity name	Activity details	Number of participants and outcome
6 to 8 Nov 2023	Global Financial Leaders' Investment Summit (2023)	The three-day summit kicked off with a welcome dinner at the Hong Kong Palace Museum on 6 November, followed by the main summit on 7 November. Under the theme of "Living with Complexity", the main summit discussed the trends and changes reshaping the global financial industry and opportunities from longer-term trends. The three-day programme concluded on 8 November with the "Conversations with Global Investors" investment forum co-organised by the HKMA, the Securities and Futures Commission and the Hong Kong Academy of Finance.	The second Investment Summit received enthusiastic response. The active participation of over 350 top managerial personnel of international financial institutions in the summit, as well as the packed schedule of many guests during their stay in Hong Kong, reflected the vibrancy and significance of Hong Kong as an international financial centre.
7 to 8 Dec 2023	Future Investment Initiative Institute PRIORITY Summit	The summit gathered representatives of the Saudi government and sovereign wealth fund and brought together political, business, financial leaders and investors from all around the world, providing an important platform for gathering global political and business leaders, academics and experts to exchange views on world trends and topical issues, showcasing Hong Kong's distinct advantages and deepening Hong Kong's ties around the globe.	The fact that the Saudi Arabia's flagship summit came to Asia for the first time and chose Hong Kong as the destination is highly significant. It symbolised Hong Kong's important status in connecting the Middle East and Asia. The summit attracted over 1 000 participants.
8 Dec 2023	Asian Insurance Forum 2023	The AIF is the annual flagship event of the IA in Hong Kong. Held in a hybrid format, the AIF provides an effective platform for delegates from different segments of the insurance industry and different regions to share insights on development prospects and opportunities in the Asian insurance market.	The AIF delved into contemporary topics through discussions among around 1 700 leading players and experts in the insurance and financial markets as well as the authorities in Hong Kong, in the Mainland and from abroad. Hong Kong's unique positioning and competitive advantages as an international

Date	Activity name	Activity details	Number of participants and outcome
			financial centre and global insurance hub were always emphasised in the forum.
24 to 25 Jan 2024	Asian Financial Forum 2024	The Asian Financial Forum is Hong Kong's annual flagship event and a key event for the region's financial community. Returning to a physical format under the theme "Multilateral Cooperation for a Shared Tomorrow", the forum discussed global economic and financial issues, and explored collaboration opportunities.	The forum attracted more than 3 600 participants, including officials, representatives of multilateral organisations, and financial and business leaders, from over 50 nations and regions.
26 Feb to 1 Mar 2024	Hong Kong Green Week – Finance Stream	The Hong Kong Green Week – Finance Stream was jointly organised by the HKMA and a number of institutions from the public and private sectors. The events comprised keynote speeches, panel discussions, roundtable discussions and fireside chats focusing on themes such as climate finance, carbon markets, electric vehicle supply chain, net-zero transition financing, green technology, green classification framework, and financing green development in the Belt and Road region. The anchor finance event of the Hong Kong Green Week – Finance Stream was the Climate Business Forum: Asia Pacific (CBF), co-hosted by the HKMA and the International Finance Corporation. Riding on the CBF, institutions from the public and private sector organised more than ten roundtables, seminars, and networking events.	The Hong Kong Green Week events received enthusiastic response and attracted over 1 600 participants, further consolidating Hong Kong's position as a regional green and sustainable finance hub. Various sustainability-themed events provided platforms for industry participants to spur new business development, facilitate knowledge exchange and networking opportunities, and promote collaboration across the public and private sectors to meet the Asia Pacific region's climate financing challenges.
25 Mar 2024	One Earth Summit	The event was organised by the Institute of Sustainability and Technology, a non-profit research and education organisation, co-organised by	The summit brought over 1 000 government representatives, entrepreneurs, and academics worldwide to discuss climate issues of high importance to the

Date	Activity name	Activity details	Number of participants and outcome
		the Giving to Amplify Earth Action, a World Economic Forum initiative, and with the FSTB and InvestHK as the Host Partners.	financial sector, particularly on achieving net-zero emissions and creating a transformation blueprint for the good of nature. The summit showcased Hong Kong's important role in leading green and sustainable financial development in the region.
27 Mar 2024	The Second Wealth for Good in Hong Kong Summit	Themed "Growing with Certainty Amid Growing Uncertainty", the Second Wealth for Good in Hong Kong Summit organised by the FSTB and InvestHK brought together influential family offices from around the world.	The summit drew over 400 influential decision makers from global family offices and their professional teams to explore investment opportunities and effective wealth management amid the volatile global economic climate, showcasing Hong Kong's long-standing vision as a leading hub for family offices and international asset and wealth management.

- (2) Detailed arrangements of thematic conferences to be organised in the coming 3 financial years are still under planning, which include:

Date	Activity name	Activity details	Goal
12 Apr 2024	Insurance-linked Securities (ILS) Conference	The invitees of this conference include institutional investors, insurers and other stakeholders in the ILS market. The conference will feature panel discussions on ILS investment landscape and value proposition of ILS market, a networking session, as well as a roadshow for a live catastrophe bond transaction.	To increase Asian institutional investors' understanding of ILS and thereby cultivating a pool of ILS capital and enriching the ILS ecosystem in Hong Kong.
28 Oct to 1 Nov 2024	Hong Kong FinTech Week 2024	Major activities include conferences, speaker sessions, exhibitions, business matching, workshops, networking	To explore the latest developments of Fintech and promote the unique advantages of Hong Kong

Date	Activity name	Activity details	Goal
		and satellite events, demo sessions, etc.	on Fintech development to the world.
18 to 20 Nov 2024	Global Financial Leaders' Investment Summit (2024)	Riding on the success of the past two summits, we will bring together again an eminent group of global financial leaders to discuss the major trends shaping the global financial industry.	To showcase Hong Kong's status as an international financial centre and consolidate global investors' confidence in Hong Kong.
10 Dec 2024	Asian Insurance Forum 2024	The AIF is the annual flagship event of the IA in Hong Kong. Taking place in a hybrid format, the AIF provides an effective platform for delegates from different segments of the insurance industry and different regions to share insights on development prospects and opportunities in the Asian insurance market.	To delve into contemporary topics through discussions among leading players and experts in the insurance and financial markets as well as the authorities in Hong Kong, in the Mainland and from abroad. Hong Kong's unique positioning and competitive advantages as an international financial centre and global insurance hub will be emphasised in the forum.
Jan 2025 (tentative)	Asian Financial Forum 2025	The Asian Financial Forum is Hong Kong's annual flagship event and a key event for the region's financial community. Every year, the forum attracts officials, representatives of multilateral organisations, and financial and business leaders from all over the world to participate in discussing global economic and financial issues, and explore collaboration opportunities.	To gather top representatives of both public and private sectors from around the world and facilitate exchanges and collaborations, while showcasing Hong Kong's function and status as an international financial centre.
Oct 2025 (tentative)	Hong Kong FinTech Week 2025	Major activities include conferences, speaker sessions, exhibitions, business matching, workshops, networking and satellite events, demo sessions, etc.	To explore the latest developments of Fintech and promote the unique advantages of Hong Kong in Fintech development to the world.

Date	Activity name	Activity details	Goal
To be confirmed	Asian Insurance Forum 2025	The AIF is the annual flagship event of the IA in Hong Kong. Taking place in a hybrid format, the AIF provides an effective platform for delegates from different segments of the insurance industry and different regions to share insights on development prospects and opportunities in the Asian insurance market.	To delve into contemporary topics through discussions among leading players and experts in the insurance and financial markets as well as the authorities in Hong Kong, in the Mainland and from abroad. Hong Kong's unique positioning and competitive advantages as an international financial centre and global insurance hub will be emphasised in the forum.
Jan 2026 (tentative)	Asian Financial Forum 2026	The Asian Financial Forum is Hong Kong's annual flagship event and a key event for the region's financial community. Every year, the forum attracts officials, representatives of multilateral organisations, and financial and business leaders from all over the world to participate in discussing global economic and financial issues, and explore collaboration opportunities.	To gather top representatives of both public and private sectors from around the world and facilitate exchanges and collaborations, while showcasing Hong Kong's function and status as an international financial centre.
Oct 2026 (tentative)	Hong Kong FinTech Week 2026	Major activities include conferences, speaker sessions, exhibitions, business matching, workshops, networking and satellite events, demo sessions, etc.	To explore the latest developments of Fintech and promote the unique advantages of Hong Kong in Fintech development to the world.
To be confirmed	Asian Insurance Forum 2026	The AIF is the annual flagship event of the IA in Hong Kong. Taking place in a hybrid format, the AIF provides an effective platform for delegates from different segments of the insurance industry and different regions to share insights on development prospects and opportunities	To delve into contemporary topics through discussions among leading players and experts in the insurance and financial markets as well as the authorities in Hong Kong, in the Mainland and from abroad. Hong Kong's unique positioning and competitive advantages as an international financial

Date	Activity name	Activity details	Goal
		in the Asian insurance market.	centre and global insurance hub will be emphasised in the forum.
Jan 2027 (tentative)	Asian Financial Forum 2027	The Asian Financial Forum is Hong Kong's annual flagship event and a key event for the region's financial community. Every year, the forum attracts officials, representatives of multilateral organisations, and financial and business leaders from all over the world to participate in discussing global economic and financial issues, and explore collaboration opportunities.	To gather top representatives of both public and private sectors from around the world and facilitate exchanges and collaborations, while showcasing Hong Kong's function and status as an international financial centre.

The Government will review the plans to organise thematic conferences taking account of the development of the market from time to time.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)013

(Question Serial No. 2299)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 138 of the Budget Speech: Attracting global family offices and asset owners to Hong Kong will help bring in more capital and drive ancillary economic activities. We have implemented a number of measures, including providing tax concessions for qualifying transactions of family-owned investment holding vehicles managed by single family offices in Hong Kong, and streamlining the suitability assessment when dealing with sophisticated professional investors. In this connection, please inform this Committee:

1. whether the Bureau has any plan to increase the expenditure and staff establishment of its team responsible for attracting global family offices to Hong Kong for the next 3 years;
2. whether the Bureau has any plan to allocate additional resources and manpower to explore more diversified investments, e.g. Environmental, Social and Governance (ESG) investments, with a view to attracting more global family offices; if yes, of the details; if no, of the reasons; and
3. of the number of global family offices set up in Hong Kong as maintained and the comparison with other international financial centres conducted by the Government, if any.

Asked by: Hon CHAN Man-ki, Maggie (LegCo internal reference no.: 37)

Reply:

(1) and (3)

The Government has been actively promoting the development of family office (FO) business in Hong Kong to help the industry seize new business opportunities. According to the research findings of the consultant commissioned by InvestHK and publicised in March 2024, encouragingly, there were around 2 700 single FOs operating

in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. To better capitalise on Hong Kong's competitiveness in attracting FOs, with funding support of the Financial Services and the Treasury Bureau, Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) in 2021 to provide one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team assisted 64 FOs to set up or expand their business in Hong Kong. Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong. The dedicated team comprises 17 posts, including 1 global head, 1 deputy global head, 6 senior vice presidents, 2 vice presidents, 1 senior executive manager, and 6 Mainland or overseas regional heads. In addition, the 2023-24 Budget has stated that the Government will allocate \$100 million to InvestHK from 2023-24 to 2025-26 for attracting more FOs to Hong Kong. InvestHK's overall estimated expenditure for promoting the development of FO business in 2023-24 and 2024-25 is about \$51.2 million and \$49.8 million respectively. There is no plan to provide further additional resources in this regard.

- (2) The Government is committed to working in coordination with the financial regulators and the industry to promote the development of green and sustainable finance in Hong Kong, and continuously enriching the choices of green financial products issued in Hong Kong. For instance, the total green and sustainable debt (including both bonds and loans) issued in Hong Kong reached US\$80.5 billion in 2022, with an increase of over 40% from 2021. Besides, as of end-2023, there were over 200 environmental, social, and governance (ESG) funds authorised by the Securities and Futures Commission, with total assets under management of over HK\$1.3 trillion, representing a year-on-year growth of 24% and 20% respectively.

Separately, the key research topics of the Financial Services Development Council (FSDC) include emerging financial areas such as ESG. In December 2022, the FSDC released research report titled "The State of Environmental, Social and Governance (ESG) in Hong Kong", highlighting Hong Kong's advantages and the role of various stakeholders in enhancing Hong Kong's ESG framework and investment environment. In February 2024, the FSDC issued another research report titled "Wealth for Good: Hong Kong as a Regional Philanthropic Hub" to facilitate FOs' philanthropic efforts in Hong Kong. In 2024-25, the Government's subvention for the FSDC increases by \$15.8 million to \$47.5 million, of which \$3 million will be reserved for conducting policy researches.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)014

(Question Serial No. 3094)

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 HKSAR Government launched the three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme in the fourth quarter of 2022. The scheme provides subsidies to market practitioners as well as prospective practitioners in taking up training and capacity building opportunities with regard to green and sustainable finance. In this connection, would the Government inform this Committee of:

1. the details of the Pilot Green and Sustainable Finance Capacity Building Support Scheme, including the expenditure, types of programmes and staff establishment involved;
2. the specific progress and achievements of the scheme in the past year; and
3. whether performance indicators have been set for the scheme; if so, the details; if not, the reasons?

Asked by: Hon CHAN Man-ki, Maggie (LegCo internal reference no.: 38)

Reply:

(1) and (2)

Talent nurturing is crucial to further promoting green and sustainable finance. The Government launched in 2022 the 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. Upon completing eligible programmes or accomplishing relevant qualifications, applicants can apply for reimbursement of up to \$10,000. The Pilot Scheme helps alleviate the cost of personnel training for local industries and assists them in building up professional teams and talent pool in green

finance. It ties in with industry efforts in strengthening resilience to climate risks and seizing the green finance-related opportunities within the region.

The Pilot Scheme has been well received by the industry since its launch. As of early March 2024, about 2 200 reimbursement applications were approved, involving a total reimbursement amount of around \$12 million. There were 63 eligible programmes and qualifications, including green and sustainable finance programmes and qualifications related to banking services, asset management, insurance industry, etc. These are provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc., and the list will continue to be updated.

The Pilot Scheme is administered by the Centre for Green and Sustainable Finance, a public-private collaboration platform launched under the Green and Sustainable Finance Cross-Agency Steering Group (formed by relevant Government Bureaux, financial regulators and the Hong Kong Exchanges and Clearing Limited). The Financial Services Branch handles the policy coordination work concerned with existing manpower and resources. There is no itemised breakdown of expenditure.

- (3) The objective of the Pilot Scheme is to encourage local eligible practitioners and persons interested in work related to green and sustainable finance to participate in relevant training. The application number and subsidy amount granted depend on the actual market demand, for which setting key performance indicators would be difficult. We will continue to promote the Pilot Scheme, review its operation from time to time, and collect feedback and comments from the industry, training institutes as well as participants.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)015

(Question Serial No. 3095)

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 further promote green economy for sustainable development, the Government has set up the Green Technology and Finance Development Committee as announced in last year's Budget. In this connection, please inform us:

1. of the estimated expenditure and manpower resources of the committee; and
2. whether the committee has formulated a work plan and roadmap since its establishment; if yes, the details; if no, the reasons.

Asked by: Hon CHAN Man-ki, Maggie (LegCo internal reference no.: 39)

Reply:

The Green Technology and Finance Development Committee (Committee) was established in June 2023 under the chairmanship of the Financial Secretary. Members of the Committee include representatives from relevant policy bureaux, departments and financial regulators, as well as 13 non-official members from the relevant industries. The Committee has formulated a list of discussion items, covering areas of promoting the development of a green technology ecosystem, green finance, green transport, green buildings, as well as promotion and publicity of Hong Kong's advantages in these areas, etc. The Committee has convened 3 meetings to discuss the issues and will continue to explore accelerating the development of green technology and green finance in Hong Kong across various areas.

The Financial Services and the Treasury Bureau is responsible for the secretariat work of the Committee. The work involved is absorbed by existing manpower and resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)016

(Question Serial No. 0318)

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 146 of the Budget Speech that the Government has been making dedicated efforts to invite Mainland and overseas enterprises to establish captive insurers in Hong Kong, enhancing their corporate risk-management capabilities. The Pilot Insurance-linked Securities Grant Scheme (Pilot Scheme) launched by the Government is also conducive to the issuance of catastrophe bonds. In this connection, would 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 issuance of insurance-linked securities since the launch of the Pilot Scheme, the respective issuance sizes and the amount of grants involved;
2. Whether the Pilot Scheme has achieved the expected results; whether the Government has conducted interim reviews and made enhancements to the Pilot Scheme; and whether the Government has any plans to further extend the Pilot Scheme; if yes, the details, and if no, the reasons; and
3. There are views that the local specialty insurance market still has more room for development. Will the Government put in place specific measures and plans to attract more Mainland and overseas enterprises to establish captive insurers in Hong Kong, and attract more institutions to issue catastrophe bonds on a larger scale, so as to give full play to our role as a risk-management centre?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 25)

Reply:

To promote the development of Hong Kong as a diversified global risk management centre, the government 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 was extended for two years as announced in the 2023-24 Budget. We will consider its future arrangement in due course.

The Grant Scheme, which complements the ILS regulatory regime, provides financial support to enterprises or organisations issuing ILS in Hong Kong to cover part of their upfront costs (such as fees provided to legal advisors, risk modellers and auditors). We have thus far facilitated four ILS issuances in Hong Kong. Three of which applied for and received grant as detailed below:

Issuer	Issuance Size (HK\$)	Grant Amount (HK\$)
Peak Reinsurance Company Limited	1.18 billion	12 million
PICC Property and Casualty Company Limited	0.25 billion	4.23 million
World Bank (International Bank for Reconstruction and Development)	2.75 billion	12 million
Total	4.18 billion	28.23 million

We and the Insurance Authority are in collaboration to strengthen external promotion efforts with plans for the fifth ILS issuance and an international conference in mid-2024 to promote Hong Kong's potential and advantages as an ILS domicile to institutional investors.

In addition, the government has provided 50% concession in the profits tax rate on all captive insurers' business since the year of assessment 2018-19, as well as implemented legislative amendments in 2021 to expand the scope of insurable risks for captive insurers, with a view to supporting large enterprises in enhancing corporate risk management through captive insurers and further propelling expansion of overseas business. Besides encouraging Mainland companies venturing into global markets to set up captive insurers in Hong Kong, we will also gauge the operational needs on this front from local enterprises.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)017

(Question Serial No. 0319)

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 2024-25, the estimate for the eMPF Platform is \$470.7 million, representing an increase of 361.9% over the revised estimate of \$101.9 million for the previous year. In this connection, will the Government inform this Committee of the following:

1. With the substantial increase in the estimate, what are the specific expenditure and manpower involved for the eMPF Platform for the coming year?
2. It is learnt that the migration of Mandatory Provident Fund (MPF) account information to the eMPF Platform is planned to commence in the second quarter of 2024 and is expected to fully complete in 2025. Will the MPF account information be migrated in phases? If so, is there any preliminary plan for, inter alia, the number of MPF accounts to be migrated as well as the assets and MPF trustees involved in each phase?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 26)

Reply:

Having consulted the Mandatory Provident Fund Schemes Authority (MPFA), reply to the two-part question is as follows.

- (1) During the period from 2019 to 2021, the Legislative Council approved a total provision of about \$4.9 billion for the Government to cover the non-recurrent expenditure of the eMPF Platform Project. Such provision 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), Government Cloud Infrastructure Services fee (GCIS fee), and other one-off expense items, including the eMPF Platform Company Limited's (the Company's) initial operating expenditure (Company's expenditure) covering the period from the Company's incorporation in March 2021 to end-March 2023.

Our 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 Company. The 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 \$470.7 million for the eMPF Platform Project in its estimate for the 2024-25 financial year, which is roughly \$368.8 million more than the \$101.9 million cash flow requirement in the revised estimate for 2023-24. This is mainly due to the deferral of some payment milestones from 2024-25 to 2025-26 and an increase in annual maintenance fee, both of which arose from the Project Contractor's failure to deliver system readiness of the eMPF Platform on time as per the contractual requirement.

Details of the estimates are as follows –

Expenditure items (Unit: \$ million)	Government Financial Year	
	2023-24	2024-25
Project costs	18.29	462.28
GCIS fee	7.36	8.44
Cash advance ^{Note1}	76.26	/
Total	101.91	470.72

Note1: To assist the Company by providing it with sufficient cash flow to meet its operating deficit before it is able to fully recoup its operational cost through collecting fees from Mandatory Provident Fund (MPF) trustees who onboard to the eMPF Platform. The Company has to repay the cash advance in two instalments in the two subsequent financial years with forecast surplus.

The Contractor is currently hiring some 800 staff and is expected to gradually increase its manpower as the eMPF Platform commences operation and MPF trustees begin to onboard to the Platform in batches. According to MPFA's estimates, upon completion of migrating all MPF account data to the Platform, the Contractor's manpower is expected to increase to around 1 200 staff. Since the "design, build and operate" contract of the eMPF Platform is a fixed-price contract, there will be no impact on the contract price if the Contractor needs to hire additional manpower in the future to achieve the key performance indicators stipulated in the contract. Besides, the Company is currently hiring around 70 staff, who are mainly responsible for supervising the Contractor in designing and building the eMPF Platform, preparing for its future operation, and providing support for trustees' onboarding. The relevant personal emolument expense belongs to Company's expenditure, which is not part of the contract price.

- (2) Based on the latest progress of the eMPF Platform Project, MPFA expects that the phased migration of MPF account data to the eMPF Platform could commence in June 2024, with a view to achieving full implementation of the eMPF Platform in 2025. For prudence sake, MPF trustees will onboard to the eMPF Platform in ascending order of their MPF schemes' assets-under-management size. The latest tentative onboarding schedule of all 12 trustees is as follows –

MPF trustee	Tentative onboarding time
YF Life Trustees Limited	June/July 2024
China Life Trustees Limited	
Bank of Communications Trustee Limited	Q4 2024
Standard Chartered Trustee (Hong Kong) Limited	
Bank of East Asia (Trustees) Limited (BEA) – BEA (MPF) Value Scheme	
BEA – BEA (MPF) Industry Scheme and BEA (MPF) Master Trust Scheme	Q1/Q2 2025
Principal Trust Company (Asia) Limited	
BOCI-Prudential Trustee Limited	
Bank Consortium Trust Company Limited	
AIA Company (Trustee) Limited	Q2/Q3 2025
Sun Life Trustee Company Limited	
Manulife Provident Funds Trust Company Limited	Q3/Q4 2025
HSBC Provident Fund Trustee (Hong Kong) Limited	

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0321)

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 78 of the Budget Speech that the Government proposes to extend the Green and Sustainable Finance Grant Scheme for 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans. In this connection, will the Government inform this Committee of:

1. in table form, the total number of applications, the number of approved applications and its percentage in the total number of applications, the total amount of subsidies granted, and the types of debt instruments covered under the scheme in the past 3 years;
2. whether it will, before the commencement of a new round of the scheme, conduct an interim review of the initiatives under the scheme and make recommendations for improvement; if yes, the details and the timetables; if no, the reasons; and
3. whether the scheme will be regularised to further encourage related industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 27)

Reply:

- (1) The Government launched the Green and Sustainable Finance Grant Scheme (GSFGS) in May 2021 with a provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services. The number of approved applications, amount of subsidy approved, types of debt instruments covered, and details of subsidised issuers and borrowers since the launch of the GSFGS are set out below.

	May 2021 to end-April 2022	May 2022 to end-April 2023	May 2023 to early March 2024	Total
Number of approved applications	72	164	132	368
Total amount of subsidy approved	Around \$85 million	Around \$91 million	Around \$49 million	Around \$220 million
Types of debt instruments covered	Loans and bonds accounted for approximately 70% and 30% respectively, covering a diverse range of green and sustainable debt instruments such as green bonds, sustainable bonds, green loans and sustainability-linked loans.			
Details of subsidised issuers and borrowers	Including both local and non-local enterprises, mainly from the real estate, construction and energy sectors.			

As prospective applicants can enquire with the Hong Kong Monetary Authority (HKMA) in advance about eligibility, and a detailed set of guidelines has also been published on the HKMA's website to facilitate their assessment of eligibility, the majority of formal applications have been successfully approved.

(2) and (3)

The 2024-25 Budget proposes to extend the GSFSGS by three years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. We will review the implementation of the GSFSGS from time to time, and introduce appropriate enhancements taking account of market developments, industry feedback and recommendations, etc. Details will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)019

(Question Serial No. 0411)

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 foster talent development in the fields of green and sustainable finance, insurance and asset and wealth management in Hong Kong, it is mentioned in Matters Requiring Special Attention in 2024-25 that relevant pilot training programmes are in place. It is also stated in paragraphs 78 and 79 of the Budget Speech that the Green and Sustainable Finance Grant Scheme will be extended to 2027 and sustainability disclosure standards will be formulated. In this connection, will the Government inform this Committee of:

1. in table form, the names of the eligible companies that have been granted subsidies under the Green and Sustainable Finance Grant Scheme since its launch, the amount of subsidies received and the sizes of bonds and loans involved;
2. whether the Green and Sustainable Finance Grant 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; if no, the reasons; and
3. whether the Government will set key performance indicators for the pilot training programme for the insurance and the asset and wealth management sectors, and explore measures to attract talent to participate in the programme?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 32)

Reply:

- (1) The Government launched the Green and Sustainable Finance Grant Scheme (GSFGS) in May 2021 to provide funding support for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services. The overall implementation progress is as follows -

Number of approved applications (As of early March 2024)	Over 368
Total amount of subsidy approved (As of early March 2024)	Around \$220 million
Types of debt instruments covered	Loans and bonds accounted for approximately 70% and 30% respectively, covering a diverse range of green and sustainable debt instruments such as green bonds, sustainable bonds, green loans and sustainability-linked loans.
Details of the subsidised issuers and borrowers	Including both local and non-local enterprises, mainly from the real estate, construction and energy sectors.

As individual companies' applications involve commercially sensitive information, it would not be appropriate to provide such details as their names, subsidy amount, bond and loan size, etc.

- (2) The GSFGS has been well received by the industry. The 2024-25 Budget proposes to extend the GSFGS by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. We will continue to review the implementation of the GSFGS from time to time, and introduce appropriate enhancements taking account of market developments, industry feedback and recommendations, etc. The Hong Kong Monetary Authority will announce the details in due course.
- (3) The "Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector" (Programme) seeks 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, over 500 tertiary students have completed internship placement, and there were about 15 750 participants in subsidised professional training courses for insurance practitioners. For the asset and wealth management sector, over 750 tertiary students have completed their internships, with about 4 000 applications for professional training course fee subsidy approved.

The Government has extended the Programme to 2026 with a number of enhancements, including extending the duration and eligibility of internships, and increasing the quota for student internships and training for industry practitioners to nurture more talents for the industries and enhance the professional competency of practitioners. We will explore with industry associations expansion of the Programme to cover more areas (e.g. family office business). The Government will continue to consider the views of participants and the industries, and review effectiveness of the Programme as appropriate.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0413)

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 144 of the Budget Speech that the Cross-boundary Wealth Management Connect (WMC) Scheme in the GBA has seen continuous and steady development. "WMC 2.0" was officially launched, introducing such enhancement measures as increasing the individual investor quota to RMB 3 million and lowering the threshold for participating in the Southbound Scheme. In this connection, will the Government inform this Committee of the following:

1. whether there were complaints about wealth management products and sale processes in the implementation of the Cross-boundary WMC; if so, the details; if not, the reasons;
2. please set out in table form the respective amount of investment, categories of investment products and financial institutions involved in different cities under the Cross-boundary WMC; and
3. the details of lowering the threshold for participating in the Southbound Scheme?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 34)

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.

WMC has seen continuous and steady development since its launch in September 2021. According to the statistics published by the People's Bank of China (PBOC), up to end-February 2024, over 73 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in WMC and around 49 200 cross-boundary fund remittances amounting to around RMB 15.283 billion (including Guangdong, Hong Kong and Macao) had been recorded.

“WMC 2.0” commenced on 26 February 2024. Enhancement measures include increasing the individual investor quota from RMB 1 million to RMB 3 million, lowering the threshold for participating in the Southbound Scheme to support more GBA residents to participate in the scheme, expanding the scope of participating institutions to include eligible securities firms, expanding the scope of eligible investment products, and further enhancing the promotion and sales arrangements.

- (1) According to the information of the Hong Kong Monetary Authority (HKMA) and that provided by eligible Hong Kong banks, the HKMA and eligible Hong Kong banks have not received any complaint regarding the wealth management products and sales process of WMC.
- (2) According to the statistics published by the PBOC, as of end-February 2024, the investment products held by individual investors participating in WMC are set out in the following table:

	Market value (RMB million)
Investment products of Hong Kong and Macao held by Mainland investors	5,641
• Funds	52
• Bonds	8
• Deposits	5,581
Mainland investment products held by Hong Kong and Macao investors	198
• Wealth management products	122
• Funds	76
Total	5,839

According to the statistics published by the PBOC, as of end-February 2024, WMC business statistics breakdown by destination is set out in the following table:

	Number of transactions
Approximate number of WMC cross-boundary fund remittances	49 200
• Between the Mainland and Hong Kong	40 300
• Between the Mainland and Macao	8 900
	Amount (RMB million)
Amount of WMC cross-boundary fund remittances	15,283
• Between the Mainland and Hong Kong	14,664
• Between the Mainland and Macao	619

Among the nine Mainland cities in the GBA, Shenzhen, Guangzhou, Zhuhai and Foshan accounted for 85.64% of the cross-boundary fund remittances under WMC.

- (3) Under the Southbound Scheme of “WMC 2.0”, the threshold for payment of social insurance or individual income tax has been lowered from consecutively 5 years to 2 years. An alternative criterion has been added to allow GBA residents with average personal annual income of at least RMB 400,000 over the past 3 years to participate in

Southbound WMC, on top of the existing requirements (including having more than 2 years of investment experience and at least RMB 1 million of outstanding household net financial assets as of month-end of the nearest 3 months; or having at least RMB 2 million of outstanding household financial assets as at month-end of the nearest 3 months). The enhancements will enable more GBA residents to participate in WMC.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3302)

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:

There is an increased cash flow requirement of \$368.8 million for the eMPF Platform arising from the deferral of a payment milestone and an increase in maintenance fee. Will the Government provide this Committee with a specific breakdown of the increase in maintenance fee for the eMPF Platform? If yes, what are the details? If not, what are the reasons?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 49)

Reply:

During the period from 2019 to 2021, the Legislative Council approved a total provision of about \$4.9 billion for the Government to cover the non-recurrent expenditure of the eMPF Platform Project. Such provision is mainly used to cover contractual payment in relation to the Platform's software and hardware development, operation of the data centres and the Platform's maintenance (Project costs), Government Cloud Infrastructure Services fee (GCIS fee), and other one-off expense items, including the eMPF Platform Company Limited's (the Company's) initial operating expenditure (Company's expenditure) covering the period from the Company's incorporation in March 2021 to end-March 2023.

Our 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 Company. The 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 \$470.7 million for the eMPF Platform Project in its estimate for the 2024-25 financial year, which is roughly \$368.8 million more than the \$101.9 million cash flow requirement in the revised estimate for 2023-24. This is mainly due to the deferral of some payment milestones from 2024-25 to 2025-26 and an increase in annual

maintenance fee, both of which arising from the Project Contractor's failure to deliver system readiness of the eMPF Platform on time as per the contractual requirement.

Details of the estimates are as follows –

Expenditure items (Unit: \$ million)	Government Financial Year ^{Note 1}	
	2023-24	2024-25
eMPF Platform maintenance fee ^{Note 2}	12.51	150.91 ^{Note 3}
<i>Software update fee</i>	6.15	73.39
<i>Manpower costs for the Contractor's Maintenance Team</i>	5.54	67.02
<i>Maintenance fee for hardware</i>	0.82	10.50
Project costs other than maintenance fee	5.78	311.37
GCIS fee	7.36	8.44
Cash advance ^{Note 4}	76.26	/
Total	101.91	470.72

Note 1 : The provision in 2023-24 has been made to the Company to cover the Project costs for 2024-25. Likewise, the estimate in 2024-25 will be used for the Project costs in 2025-26.

Note 2 : The abovementioned estimates represent the upper limits stipulated in the contract. The final amount of eMPF Platform maintenance fee payable by the Company to the Contractor will depend on the actual usage of software update/hardware maintenance services.

Note 3 : The eMPF Platform maintenance fee for 2024-25 only involves one month's maintenance fee, hence lower than the full-year maintenance fee in 2025-26.

Note 4: To assist the Company by providing it with sufficient cash flow to meet its operating deficit before it is able to fully recoup its operational cost through collecting fees from Mandatory Provident Fund trustees who onboard to the eMPF Platform. The Company has to repay the cash advance in two instalments in the two subsequent financial years with forecast surplus.

Since the contract is a fixed-price contract, there will be no impact on the Government funding of some \$4.9 billion earmarked for the project if there are project delays or additional costs are incurred.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)022

(Question Serial No. 3790)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Matters Requiring Special Attention in 2024-25 that the Government will continue to support the implementation of the "Northbound Travel for Hong Kong Vehicles" and formulation of "Southbound Travel for Guangdong Vehicles". In this connection, will the Government inform this Committee:

Of the respective numbers of successful applicants since the implementation of the scheme and, among them, those who have taken out cross-boundary motor insurance under the "unilateral recognition" arrangement; and whether the Government has reviewed if the implementation of the unilateral recognition policy has fallen short of expectation; and if so, of the improvement measures in place?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 23)

Reply:

Under the "unilateral recognition" arrangement for cross-boundary motor insurance, applicants of the Northbound Travel for Hong Kong Vehicles (the Northbound Scheme) may, within the validity period of the statutory motor insurance policy taken out for their vehicles in Hong Kong, procure top-up cover of qualified Traffic Accident Liability Insurance for Motor Vehicles of the Mainland and select further coverage of the Mainland Commercial Insurance for Motor Vehicles according to their needs, providing Hong Kong residents driving into Guangdong via the Hong Kong-Zhuhai-Macao Bridge with comprehensive and convenient insurance protection.

Of the some 41 000 applications approved since the launch of the Northbound Scheme until end-2023, there were about 4 500 cross-boundary motor insurance policies issued by Hong Kong insurance companies under the "unilateral recognition" arrangement. The Insurance Authority is coordinating with the insurance industry to actively look into how the current product structure as well as sales and promotion arrangements may be enhanced, with a view

to providing car owners who procure coverage from Hong Kong insurance companies with more options. We will also communicate with the relevant Guangdong authorities so as to explore feasible options for boosting the usage rate of the products.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0617)

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:

- i. As mentioned in the Budget Speech, the Government will earmark \$100 million to promote the sustainable development of financial services, with a view to bolstering the competitiveness and advantages of the financial services industry in Hong Kong. What are the specific promotion plans and details in the above policy area (including green and sustainable finance and financial technology) this year?
- ii. How will the innovative technologies employed in the issuance of digital green bonds help the financial industry in Hong Kong broaden the market infrastructure for participating investors, issue bonds in digitally native format and operate digital assets platforms? How do such innovative measures enhance the liquidity of bonds and transparency of information?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 23)

Reply:

- (i) The “funding for promoting and facilitating the development of the financial services sector” is a general non-recurrent item which, through launching financial support schemes, organising promotion events and forums, supporting talent training etc., provides support to further promote and facilitate the development of the financial services sector on various fronts. It covers a number of measures/funding schemes benefitting the financial services sector, including –
 - (a) **asset and wealth management:** the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (Grant Scheme) provides funding support for open-ended fund companies (OFCs) set up or re-domiciled to Hong Kong and real estate investment trusts (REITs) listed in Hong Kong. As of end-March 2024, the Grant Scheme has approved 211 OFC and 1 REIT applications and a total of some \$118 million has been granted. Since the introduction of the

Grant Scheme, the number of OFCs registered in Hong Kong has increased substantially from 14 in May 2021 to 302 in March 2024, effectively promoting the development of the funds sector;

- (b) **green and sustainable finance:** the Green and Sustainable Finance Grant Scheme (GSFGS) provides funding support for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As of early-March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. Separately, the Pilot Green and Sustainable Finance Capacity Building Support Scheme was launched for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. As of early-March 2024, about 2 200 reimbursement applications have been approved, involving a total reimbursement amount of around \$120 million;
- (c) **insurance sector:** the Pilot Insurance-linked Securities (ILS) Grant Scheme provides subsidy to cover upfront costs of eligible ILS issuances in Hong Kong, serving to attract issuing institutions and nurture relevant professional talents. Since the implementation of the Scheme in May 2021, the Insurance Authority has approved 3 applications and provided total financial support of around \$28 million. Along with the dedicated ILS regulatory regime rolled out in 2021, these measures have thus far facilitated the issuance of 4 catastrophe bonds in Hong Kong, with total issuance amount of \$4.4 billion, securing protection against losses inflicted by typhoons and earthquakes in different places around the world, thereby promoting expansion of risk management channels and diversified development of the insurance market;
- (d) **Fintech:** the Pilot Scheme on Training Subsidies for Fintech Practitioners provides practitioners who have successfully attained Fintech professional qualifications with tuition financial support. So far, around 350 practitioners have enrolled in the relevant training courses. Separately, the GBA Fintech Two-way Internship Scheme for Post-secondary Students funds students from Hong Kong and the Mainland to participate in short-term internship in Fintech companies, with a view to enhancing talent exchange and enlarging the Fintech talent pool. The whole internship scheme will provide 150 internship positions with the participation of around 30 Fintech companies in Hong Kong and the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The winter internship scheme commenced in January 2024, while details of the summer internship scheme will be announced in the second quarter of 2024;
- (e) **GBA financial development:** to enhance Hong Kong youngsters' understanding of the GBA financial market, we organised two rounds of "Set Sail for GBA – Scheme for Financial Leaders of Tomorrow" programme from 2021 to 2023, facilitating more than 150 young people to learn more about the opportunities in the GBA and make preparations for their future career. The first round of the scheme was conducted in November 2021 to March 2022 in Hong Kong, including sharing sessions by senior leaders in corporates, visits to local financial institutions, soft-skill workshops and job-shadowing of senior leaders in corporates. The second round was co-organised by the Financial Services and

the Treasury Bureau and the Shenzhen Municipal Financial Regulatory Bureau from June to July 2023, which provided university students of Hong Kong with summer internship opportunities in financial institutions in Shenzhen; and

- (f) **financial mega events:** the Asian Financial Forum (AFF) is Hong Kong's annual flagship event and a key event for the region's financial community, gathering thousands of officials, representatives of multilateral organisations, and financial and business leaders from all over the world to participate in discussions of global economic and financial issues, as well as explore collaboration opportunities. The AFF helps reinforce Hong Kong's status as an international financial centre.

The 2024-25 Budget has announced that the Government will earmark \$100 million under the item to promote the sustainable development of financial services. We will continue to listen to the industry's views and discuss how to enhance existing measures and introduce new measures for specific policy areas (e.g. development of headquarters economy), with a view to strengthening the long-term development of the financial services sector and related professional services. Specific measures will be announced as appropriate in due course.

- (ii) The application of tokenisation technology has the potential of enhancing efficiency, transparency and facilitating investor participation in bond markets.

The Government's two tokenised green bond issuances demonstrated the possibility of such technology in streamlining processes and shortening the settlement cycle. For instance, the recent tokenised issuance in February 2024 was issued in digitally native format, without the need to first issue in traditional central securities depositories then subsequently convert the bond into digital format.

In addition, transparency can be enhanced through bringing together different parties involved in a bond issuance onto a common digital assets platform. In the abovementioned issuance, key green bond documentation, including the issuer's Green Bond Framework and relevant third-party review reports, can be viewed on the digital assets platform, thereby enhancing transparency and accessibility of information. Tokenisation can also facilitate investor participation if the technology attains wide adoption in the market, thereby enhancing liquidity in the bond market. In the abovementioned issuance, investors have the option to access the digital green bonds via their accounts with the Central Moneymarkets Unit (CMU) or via CMU's external linkages with Euroclear and Clearstream, which broadens the bond's investor base and enhances its liquidity.

Apart from illustrating the potential benefits of tokenisation technology, the two tokenised issuances also demonstrated that bond tokenisation is possible under Hong Kong's existing legal and regulatory environment which can stimulate market interest and promote wider adoption of the tokenisation technology.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0618)

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:

- i. In this financial year, how will the Government promote the development of financial technology (Fintech) in Hong Kong, including schemes on promoting innovation and application of Fintech, and further enhance the efficiency, transparency and security of financial transactions?
- ii. What are the estimated resources and manpower required for the above promotion work and will such work be done in collaboration with other organisations? If so, what are the organisations involved and the amount of provision to be earmarked?
- iii. Since the launch of the FPS x PromptPay Link between Hong Kong and Thailand up to now, what are the utilisation situation and amount of transactions in Hong Kong and Thailand respectively? Will this kind of initiative be extended to the United Arab Emirates or other popular tourist destinations for Hong Kong people, such as Japan and South Korea, in the future?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 24)

Reply:

- (i) The Financial Services and the Treasury Bureau coordinates the policy for facilitating Fintech development, and assesses the need and room for development of the Fintech sector through maintaining liaison with the industry and cooperating with the financial regulators, with a view to formulating the corresponding support measures. Specifically, our major work in 2024-25 includes –

Enhancing Financial Infrastructure

In October 2023, the Hong Kong Monetary Authority (HKMA) completed Phase 1 of the e-HKD Pilot Programme and studied domestic retail use cases in various areas such as programmable payments, offline payments and tokenised deposits. Phase 2

commenced on 14 March 2024 and would further explore new use cases of e-HKD and delve deeper into the result of selected pilots from Phase 1.

In March 2024, the HKMA announced the commencement of Project Ensemble, a new wholesale central bank digital currency (wCBDC) project to support the development of the tokenisation market in Hong Kong. Project Ensemble seeks to explore innovative financial market infrastructure and facilitate interbank settlement of tokenised money through wCBDC. The HKMA will form a wCBDC Architecture Community to formulate industry standards and a future-proof strategy, and will also launch a wCBDC Sandbox to further research and test tokenisation use cases.

Building a More Active Fintech Ecosystem

Following the launch of the Fintech Proof-of-Concept Subsidy Schemes in 2021 and 2022, we will roll out the new Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme in the first half of 2024. The new scheme involves funding of \$10 million and aims to provide early-stage funding support for green Fintech solutions to facilitate their commercialisation, thereby fostering the development of new Fintech initiatives.

Nurturing Fintech Talents

In October 2023, we launched the GBA Fintech Two-way Internship Scheme for Post-secondary Students to subsidise students from Hong Kong and the Mainland to participate in short-term internship in Fintech companies, with a view to enhancing talent exchange and enlarging the Fintech talent pool. The whole internship scheme involves funding of \$12 million and will provide 150 internship positions with the participation of around 30 Fintech companies in Hong Kong and the Mainland cities of the Greater Bay Area. The winter internship scheme commenced in January 2024, while details of the summer internship scheme will be announced in the second quarter of 2024.

Strengthening Connection and Cooperation with the Mainland and Overseas

The People's Bank of China and the HKMA have been working closely to press ahead the preparatory work on using e-CNY for cross-boundary payment. In early 2024, 4 e-CNY operating institutions and 18 banks in Hong Kong completed a drill smoothly, involving topping up e-CNY wallets via the Faster Payment System (FPS) and making merchant payments via e-CNY wallets. It is expected that the scope of e-CNY pilot testing will further expand in Hong Kong. By then, more residents may set up e-CNY wallets easily for use and for topping up funds by the FPS, thereby further enhancing the efficiency and user experience of cross-boundary payment services.

The HKMA, together with 3 central banks, namely the Digital Currency Institute of the People's Bank of China, 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 Multiple Central Bank Digital Currency Bridge (mBridge). The mBridge project seeks to analyse the functions of the distributed ledger technology in facilitating conduct of real-time cross-border foreign exchange transactions in a multi-jurisdictional context and on a round-the-clock basis, as well as to explore the business use cases. At present, the mBridge project has entered the

Minimum Viable Product (MVP) development phase. The first phase of service (i.e. the MVP) is expected to be launched this year to pave the way for a production-ready system.

The dedicated Fintech team in InvestHK will continue to promote Hong Kong's advantages in the Mainland and overseas, including organising the annual flagship event "Hong Kong Fintech Week" in October this year, so as to attract more Fintech companies and talents to develop Fintech business in Hong Kong.

- (ii) The relevant work on promoting Fintech development in Hong Kong has been pursued jointly by the Government and the financial regulators. In the Financial Services Branch, the expenditure involved will be absorbed by existing resources. Apart from the non-recurrent expenditure estimates for the aforementioned Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme and the GBA Fintech Two-way Internship Scheme for Post-secondary Students, we do not have a separate breakdown on other relevant expenditure.
- (iii) On 4 December 2023, the HKMA and the Bank of Thailand launched the FPS x PromptPay Link for cross-border QR payment between Hong Kong and Thailand. Through this linkage, visitors from Thailand and Hong Kong will be able to make retail payments by using their mobile payment applications to scan the Hong Kong FPS QR code and Thai PromptPay QR code displayed by merchants respectively, providing visitors with another safe, efficient and cost-effective retail payment means.

Since its launch, the FPS x PromptPay Link has been well received by the market and is mainly used for small-value retail payments. This cooperation has laid a good foundation for further expanding the cross-border payment services in the future. The HKMA will consolidate experience and continue to explore the feasibility of developing cross-border payment services with other regions.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0619)

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 regards “promoting the development of virtual assets (VA) in Hong Kong” in 2024-25, please advise on:

1. the initiatives launched in the past 2 years for the development of VA and the staff establishment and expenditure involved;
2. the initiatives to be launched in 2024-25 and the expenditure involved; and
3. the initiatives implemented by the Government to enhance regulation and the government departments, staff establishment and expenditure involved.

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

Reply:

The Government issued the Policy Statement on Development of Virtual Assets in Hong Kong (Policy Statement) in October 2022, setting out the vision and policy direction of the Government, which was received positively by the industry. The Financial Secretary has also established the Task Force on Promoting Web3 Development in July 2023, inviting members (comprising experts and professionals from relevant industries, as well as representatives of policy bureaux and financial regulators concerned) to provide recommendations to the Government. The Task Force has commenced discussions on the promotion and regulation of virtual asset (VA).

In formulating regulatory details, we adopt the principle of “same activity, same risks, same regulation”, to ensure that considerations of financial stability, investor protection etc. are taken into account in the development of VA activities. The main legislative work is as follows -

- (i) The Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022 to introduce the licensing regime for VA service providers, which ensures that VA trading platforms (VATPs) comply with the international standards on anti-money laundering and counter-terrorist financing, and protect investors. The licensing regime commenced operation in June 2023. To enhance collaboration in supervision and investigation of illegal activities related to VATPs, in addition to its investigative and supervisory efforts, the Securities and Futures Commission has stepped up cooperation with the Police. Measures include establishing a joint working group on VATPs in October 2023 to facilitate information sharing on suspicious activities and breaches of VATPs, implementing a risk assessment mechanism on suspicious VATPs, and enhancing coordination and collaboration in relevant investigations.
- (ii) The Financial Services and the Treasury Bureau (FSTB) and the Hong Kong Monetary Authority (HKMA) jointly issued a public consultation paper from 27 December 2023 to 29 February 2024 to collect views on the legislative proposals to regulate stablecoin issuers. Under the proposals, issuers of fiat-referenced stablecoins have to fulfil the specified requirements and obtain a licence from the HKMA.
- (iii) The FSTB launched from 8 February to 12 April this year a public consultation on the legislative proposals to introduce a licensing regime for providers of VA over-the-counter trading services. Under the proposals, any person who conducts a business in providing services of spot trade of any VA in Hong Kong has to be licensed by the Commissioner of Customs and Excise, and fulfil the statutory and regulatory requirements.

For the above two public consultation exercises, we will upon analysing the views received commence the legislative work as soon as practicable.

The work related to the development and regulation of VA is being taken forward by the Government and financial regulators. FSTB handles the work involved with existing manpower and resources. There is no itemised breakdown of expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)026

(Question Serial No. 0620)

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. Please provide details of the efforts made by the Securities and Futures Commission in investor education on virtual asset (VA) trading. Has the Government assessed their effectiveness? If yes, how effective were the efforts? If not, what are the reasons?
2. What were the numbers of suspected financial fraud cases involving VA in the past 3 years?
3. Regarding the new regulatory regime for VA trading platforms, please advise on the details of the work and timetable for 2024. What are the manpower and expenditure involved?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 26)

Reply:

- (1) The Securities and Futures Commission (SFC) and the Investor and Financial Education Council (IFEC) have made proactive investor education efforts in respect of virtual assets (VA), disseminating information about VA trading platforms (VATPs) and reminding the public of the risks of trading on unlicensed platforms. Specifically, short video clips, community outreach activities, social media platforms, media interviews, etc., are used to enhance the public's understanding of the concepts of different investment tools, as well as their knowledge and awareness of relevant risks and potential fraud (including the need to be alert to unlicensed or fraudulent VATPs). The SFC also works closely with the Police to actively promote anti-fraud messages in the community as well as publishes anti-fraud and VA-related posts and advertisements on social media and search engines.

The relevant investor education work has made good progress. Over the past year, the IFEC organised 3 online talks and issued 32 social media posts in respect of VA,

recording over 1.2 million combined views and over 19 000 likes respectively. The IFEC also published 12 new articles on VA through its website and media bylines. From March 2023, the IFEC has been making online advertisements to raise public awareness of VA, receiving over 200 000 clicks. Subsequently in October to December, the SFC launched an investor education campaign, leveraging diverse channels to remind the public of the need to check VATPs' licensing status before investment and be alert to financial scams. The SFC's relevant webpages received over 130 000 clicks. In March 2024, the IFEC has launched a new series of online investing animation videos which cover investor education on VA.

The IFEC conducts regular researches on the public's interest and attitude towards VAs. For example, the IFEC commissioned the Hong Kong Polytechnic University to study the common investment decisions and mindset of VA investors. The findings were publicised in October 2023 and widely reported by major media.

In addition, the Financial Secretary has also established the Task Force on Promoting Web3 Development in July 2023, inviting members (comprising industry experts and professionals, as well as representatives of policy bureaux and financial regulators concerned) to provide recommendations to the Government. Under the Task Force, a subcommittee on education, talent training and promotion has been set up, responsible for discussing investor education measures relating to VA.

- (2) In the past 3 years, the numbers of VA-related criminal cases are 1 397 in 2021, 2 336 in 2022 and 3 415 in 2023. The amounts of money involved are \$824 million in 2021, \$1.704 billion in 2022 and \$4.398 billion in 2023.
- (3) The Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 in December 2022 to introduce the licensing regime for VA service providers, which ensures that VATPs comply with the international requirements on anti-money laundering and counter-terrorist financing, and protect investors. The licensing regime commenced operation in June 2023. The Financial Services and the Treasury Bureau (FSTB) and the SFC are responsible for monitoring the operation of the licensing system. In addition, FSTB and the Hong Kong Monetary Authority jointly carried out a public consultation from 27 December 2023 to 29 February 2024 to collect views on the legislative proposals to regulate stablecoin issuers. The FSTB also launched from 8 February to 12 April this year a public consultation on the legislative proposals to introduce a licensing regime for providers of VA over-the-counter trading services. The FSTB handles the work involved with existing manpower and resources. There is no itemised breakdown of expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)027

(Question Serial No. 0621)

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 Cross-boundary Wealth Management Connect (WMC) 2.0 has come into effect. Under the new policy, the scope of products under the Southbound Scheme will be expanded to increase the number of funds of each bank, and the total number of funds under the Southbound Scheme of Hong Kong banks is expected to increase. Please advise on the following:

- i. What is the year-on-year increase in the number of new Southbound Scheme funds of banks under the Cross-boundary WMC 2.0? Are there any specific measures to assist the financial industry in carrying out publicity and promotion in the Mainland cities in the Greater Bay Area?
- ii. For the past year, what were the results achieved by the Cross-boundary WMC, the average daily turnover of participating banks, the average daily turnover of various products, and the utilisation of other services?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 27)

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.

WMC has seen continuous and steady development since its launch in September 2021. "WMC 2.0" commenced on 26 February 2024. Enhancement measures include increasing the individual investor quota from RMB 1 million to RMB 3 million, lowering the threshold for participating in the Southbound Scheme to support more GBA residents to participate in the scheme, expanding the scope of participating institutions to include eligible securities

firms, expanding the scope of eligible investment products, and further enhancing the promotion and sales arrangements.

- (i) The majority of eligible Hong Kong banks started providing “WMC 2.0” services on the effective date. The number of funds distributed by Hong Kong banks under the Southbound Scheme nearly doubled, from around 160 before the expansion to around 300. We are maintaining close communication with the industry to help Hong Kong financial institutions better understand the operational details of the enhancement measures, so as to facilitate the effective implementation of “WMC 2.0”. We are also working with the industry to step up investor education in the GBA, so as to enhance investors’ understanding of WMC, thereby enabling them to better capture the cross-boundary wealth management and investment opportunities.
- (ii) According to the statistics published by the People’s Bank of China, up to end-February 2024, over 73 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in WMC and around 49 200 cross-boundary fund remittances amounting to around RMB 15.283 billion (including Guangdong, Hong Kong and Macao) had been recorded. As of end-February 2024, individual investors participating in WMC held around RMB 5.839 billion of investment products. Investment products of Hong Kong and Macao held by Mainland investors under WMC stood at around RMB 5.641 billion, including funds at around RMB 52 million, bonds at around RMB 8 million and deposits at around RMB 5.581 billion. Mainland investment products held by Hong Kong and Macao investors under WMC stood at around RMB 198 million, including wealth management products at around RMB 122 million and funds at around RMB 76 million.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0622)

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 drive market development, the Government will extend the Grant Scheme for Open-ended Fund Companies (OFCs) and Real Estate Investment Trusts (REITs) for 3 years.

- i. Please provide the details, including the specific measures, manpower arrangement and expenditure required, etc.
- ii. What were the respective numbers of companies and employees engaging in the work related to OFCs and REITs in Hong Kong, as well as the changes in such figures, over the past 5 years?
- iii. How will the Government push forward the inclusion of REITs as an investment option under the mutual-market access regime? Will the inclusion of REITs under the mutual-market access regime be conducive to attracting international investors to Hong Kong's REIT market?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 28)

Reply:

- (i) To further attract the set-up of open-ended fund companies (OFCs) and real estate investment trusts (REITs) in Hong Kong, the Government and the Securities and Futures Commission (SFC) launched the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) in May 2021 to provide funding support for OFCs set up or re-domiciled to Hong Kong and REITs listed in Hong Kong to pay the eligible expenses charged by Hong Kong-based professional service providers. As of March 2024, the SFC has approved 211 OFC and 1 REIT applications. A total of \$117.8 million has been granted. Since the introduction of the Grant Scheme, the number of OFCs registered in Hong Kong has increased substantially from 14 in May 2021 to 302 in March 2024. The Grant Scheme has effectively promoted the fund industry's development and has been generally well-received by the industry.

The 2024-25 Budget has announced the extension of the Grant Scheme for 3 years up to 2027 with the use of existing resources. The Grant Scheme is administered by the SFC.

(ii) and (iii)

Hong Kong is an international asset management centre with vibrant asset management activities. As of end-March 2024, there were 302 OFCs and 11 REITs in Hong Kong. According to the SFC's latest Asset and Wealth Management Activities Survey 2022, as of end-2022, there were 2 069 firms licensed to carry out asset management in Hong Kong (representing an increase of 26% from 2018), and 54 322 staff in the asset and wealth management business (representing an increase of 27% from 2018). The Government and the SFC do not maintain separate statistics on the number of companies and staff in the OFC and REIT businesses.

The 2024-25 Budget has mentioned that mutual-market access between the financial markets in the Mainland and Hong Kong has been expanding in scope and capacity. The Government and regulators are in discussion with Mainland authorities over various enhancement measures, including the expansion of the mutual-market access regime to cover REITs, so as to bring in more enterprises and capital to the Hong Kong market. Specific arrangements will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)029

(Question Serial No. 0623)

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 133 of the Budget Speech that the mutual-market access between financial markets in the Mainland and Hong Kong has been expanding in scope and capacity.

- i. What is the Government's specific plan to tie in with the setting up of Renminbi (RMB) trading counters by local issuers?
- ii. Did the Government assess the effectiveness of the Hong Kong Dollar-RMB Dual Counter Model (Model) in the past year?
- iii. What is to be done to promote the growth in the Model's liquidity and scale, thereby facilitating the internationalisation of the RMB and providing more options for investors?
- iv. How will the Government press ahead with the expansion in the scope of securities under the Model? What is the estimated expenditure on this expansion plan in the coming year?

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

Reply:

To complement the new development paradigm of our country and cater for the increasing demands from global investors for Renminbi (RMB) asset allocation, the Government, along with financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX), has been actively promoting the issuance and trading of RMB securities in Hong Kong, strengthening Hong Kong's functions as a global offshore RMB business hub.

The HKEX launched the "Hong Kong Dollar (HKD)-RMB Dual Counter Model" (dual-counter model) and the "Dual Counter Market Maker" regime in June 2023. To create favorable conditions for market makers to engage in market making and liquidity providing activities with lower transaction costs, the Government has amended the law to exempt the stamp duty of specific transactions made by dual-counter market makers. A total of 24

issuers have adopted the dual-counter model and provided HKD and RMB securities trading, and the number of dual-counter market makers has increased from 9 when the model was initially launched to 12 currently.

As a new trading model and supporting infrastructure, the proportion of RMB-denominated transactions relative to the entire market may not be very significant in the initial stage. Since the launch of the dual-counter model, the relevant transactions and settlements have operated smoothly, providing a platform for key aspects such as the issuance, trading and settlement of RMB securities in Hong Kong, and accumulating operational experience to promote market participants to further utilize the RMB securities market in Hong Kong in the future. With the progressing of RMB internationalization, the amount of RMB cross-border payment and its share in global payments will continue to increase and the number of overseas investors holding RMB will gradually increase. The dual-counter model will facilitate more overseas investors to allocate assets in RMB and enhance RMB's function as an international investment currency, while increasing the channels for RMB investment in Hong Kong, enriching the types of offshore RMB business in Hong Kong, and continuously elevating the expandability and liquidity of the market.

The Government will continue to put more effort into promoting offshore RMB business at various levels, including stepping up the work with regulators and HKEX and communicating with Mainland ministries and relevant institutions to implement the inclusion of RMB counters under Southbound Trading of Stock Connect as soon as possible. At the same time, through promotional activities, the Government and HKEX will promote the opportunities for allocating high quality equity assets via the RMB counters with a focus on overseas economies that conduct cross-border trade in RMB, such as the Middle East and South East Asia regions. HKEX is also proactively communicating with listed issuers to add RMB counters and will expand the number of securities under the dual-counter model at an appropriate time. The relevant work that involves the Government is part of the regular duties of the Financial Services Branch (FSB), and the manpower and expenditure involved have been included in the overall establishment and expenditure of the FSB.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)030

(Question Serial No. 0624)

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 help enterprises secure financing in the Greater Bay Area more easily, the Hong Kong Monetary Authority and Mainland regulatory authorities will continue to build a collaborative framework on cross-boundary credit referencing. Through such collaboration, the banks of both places, upon consent from corporate customers, will be allowed to access the credit data of relevant corporations, so that credit assessment can be conducted in a more secure and efficient manner.

Will the Government consider allocating additional resources to facilitate corporate credit reference services? To ensure the development of a full-fledged database for corporate credit reference services, has the Government included in the 2024-25 estimate the expenditure on the relevant work? If yes, what is the amount of the expenditure? If not, what are the reasons?

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

Reply:

The People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) announced on 24 January 2024 a series of measures to deepen the financial co-operation between the Mainland and Hong Kong, including promoting the collaboration on cross-boundary credit referencing (CBCR) to facilitate enterprises' cross-boundary financing activities. The PBoC and the HKMA have subsequently signed a Memorandum of Understanding on CBCR pilots and agreed to first conduct CBCR pilots between Shenzhen and Hong Kong so as to test and review the operations of cross-boundary data transfers under proper risk management and controls. The CBCR pilots would focus on facilitating commercial lending in the initial stage. After gaining relevant experience, the HKMA and PBoC will continue to discuss and look into how to further deepen the co-operation. The Financial Services and the Treasury Bureau will handle the policy coordination work involved with existing resources and manpower.

In respect of the database on corporate credit information, the Commercial Credit Reference Agency (CCRA) was established on 1 November 2004 under the industry's initiative and with the support of the HKMA. The CCRA collects information about the indebtedness and credit history of business enterprises and makes this information available to lending institutions. Its coverage includes non-listed limited companies with an annual turnover up to HKD100 million, sole proprietorships or partnerships. Banks can have access to the data held in the CCRA for the purpose of the granting, reviewing or renewal of credit provided for borrowing institutions.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0629)

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 efforts are being made on the listing of an Exchange Traded Fund (ETF) in the Middle East that tracks Hong Kong stock indices.

1. What is the progress of the ETF? When is it planned to be introduced?
2. Has the Government commenced overseas roadshows for publicity and promotion? What are the specific plans and measures?
3. What are the educational and promotional measures targeting investors in the Hong Kong market taken by the Government?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 35)

Reply:

(1) and (2)

The Hong Kong Monetary Authority (HKMA) is discussing with industry participants the detailed arrangements for structuring and launching the Exchange Traded Fund (ETF) in the Middle East tracking Hong Kong stock indices, and a few asset management companies have expressed an interest to launch such an ETF. The HKMA has already started conducting a request for proposal exercise to select one or more asset management firms to manage the ETF. It is expected that the exercise will take a few months, and the selected asset management firm(s) will need to obtain regulatory approvals and set up the infrastructure in preparation for the launch of the ETF. The exact timing will depend on the design of the ETF and the progress of regulatory application. When the necessary preparation has been made, the HKMA will conduct publicity and promotion with the selected asset management firm(s) on the launch arrangements.

- (3) The Government works with the Securities and Futures Commission (SFC) and its Investor and Financial Education Council (IFEC) in conducting proactive investor education. Through the use of short video clips, community outreach activities, social media platforms, media interviews, etc., the SFC and the IFEC collaborate with stakeholders from different sectors to enhance members of the public's financial literacy and their understanding of the concepts of different investment tools, as well as knowledge and awareness of relevant risks and potential fraud. The content covers information on ramp and dump schemes and financial scams, key considerations for using online investment platforms, risks and opportunities to be considered when investing in virtual assets, etc. The IFEC also publishes on its website digital tools on financial management for public use.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)032

(Question Serial No. 0631)

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:

- i. In the course of promoting sustainable financing and green finance, does the Government have any plans to strengthen the relevant regulatory and supervisory mechanisms, so as to ensure the accuracy and transparency of information disclosure?
- ii. Does the Government have any further plans and measures to facilitate the research and development as well as application of green and sustainable technology, and support the growth of the related industries?
- iii. How will the Government assist enterprises and financial institutions in aligning their practices with international standards for sustainability reporting and disclosure, covering ESG data analysis, carbon credit trading, ESG disclosure and regulatory reporting, climate risk modelling and assessment, as well as green and digital finance and investment?
- iv. How will the roadmap and vision statement of the Financial Services and the Treasury Bureau and the Securities and Futures Commission facilitate the development of sustainability reporting and relevant data analysis among enterprises?
- v. How will the Government assess and monitor the effectiveness and outcomes of sustainable finance?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 37)

Reply:

In consultation with the Environment and Ecology Bureau (EEB), the Innovation, Technology and Industry Bureau (ITIB), the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC), and Hong Kong Exchanges and Clearing Limited (HKEX), our reply is as follows.

(i), (iii) and (iv)

To deepen Hong Kong's green and sustainable finance development, enterprises must align their practices in sustainability disclosure with international standards through the following specific measures:

Roadmap and vision statement

The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards) in June 2023, as the global baseline for corporate disclosure of climate and sustainability-related information. The Government will work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards to align with international standards.

We have set up a working group (working group), which is co-led by the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission, with members comprising financial regulators and stakeholders (including Hong Kong Exchanges and Clearing Limited (HKEX) and the Hong Kong Institute of Certified Public Accountants (HKICPA)), to prepare the roadmap. The roadmap will comprise 4 key areas — sustainability reporting, assurance, data and technology, and capacity building. Assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards (Hong Kong Standards) aligned with the ISSB Standards as well as the complementary application and implementation guidance. FSTB published on 25 March this year a vision statement, setting out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. The working group is already engaging with stakeholders to identify the specific circumstances that should be considered for the development and implementation of the Hong Kong Standards. Our target is to launch the roadmap within 2024, to provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong as well as sufficient time for making preparations and developing readiness for the pragmatic implementation of the Hong Kong Standards.

In respect of listed companies, the Stock Exchange of Hong Kong Limited (SEHK) has under the Listing Rules required all listed companies to produce an ESG report annually and conducted periodic review of listed companies' ESG disclosures from 2016. To prepare listed companies towards eventual sustainability reporting in accordance with the Hong Kong Standards, the SEHK will enhance climate-related disclosures for listed companies under the Listing Rules framework. In this respect, SEHK launched a consultation in 2023 on the enhancement of climate-related disclosure requirements for Hong Kong listed companies. The proposed climate-related disclosure requirements were informed by the IFRS S2 Climate-related Disclosures Exposure Draft published by the ISSB and subsequent deliberations of the ISSB. SEHK is expected to publish the consultation conclusions in the first half of 2024, which will take into account the market feedback received, the requirements of the ISSB Standards and the guidance issued by the ISSB. Amendments to the Listing Rules are expected to take effect from 1 January 2025.

Assurance helps build credibility and reliability of reported sustainability-related information. HKEX had already included relevant provisions in the ESG Reporting Guide published in July 2020 to encourage issuers to seek independence assurance to enhance the credibility of ESG information. The working group will monitor international developments and work with stakeholders closely in developing the local sustainability-related assurance and ethics standards, taking account of the latest global developments including relevant discussions at the International Auditing and Assurance Standards Board and International Ethics Standards Board for Accountants. The Accounting and Financial Reporting Council will be involved in driving the development of sustainability assurance in Hong Kong.

Measures to assist companies and financial institutions in conducting sustainable reporting

(a) Greenhouse gas emissions calculation and estimation tools

Formed by relevant Government Bureaux, financial regulators and HKEX, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group), in collaboration with the Hong Kong University of Science and Technology, launched greenhouse gas emissions calculation and estimation tools in February 2024. The tools are available for free public access on the Steering Group's website, to facilitate sustainability reporting by corporates and financial institutions in Hong Kong. They help equip small and medium enterprises (SMEs) with the means to manage their environmental footprint and encourage market participants to improve sustainable business practices.

(b) Climate and Environmental Risk Questionnaire for Non-listed companies/ small and medium-sized enterprises

The Steering Group launched in 2022 a Climate and Environmental Risk Questionnaire for Non-listed companies and SMEs. The Questionnaire is intended to assist the sustainability reporting processes of corporates concerned and raise their sustainability visibility to lenders, investors and supply chain clients. It also enables financial institutions' collection and assessment of company-level data for risk assessment and relevant business decisions. The digital version of the Questionnaire is available on the Steering Group's website to further facilitate reporting, and will support broader consent-based data sharing between corporates and financial institutions.

- (ii) FSTB will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme in the first half of 2024 with a total provision of \$10 million to provide early-stage funding support for green fintech, facilitating commercialisation and fostering the development of new green financial technology initiatives. Details will be announced in due course.

In addition, ITIB has all along been enhancing the innovation and technology (I&T) ecosystem for green technology and other technology areas from different aspects to promote Hong Kong's overall I&T development. There are funding schemes that provide funding to research and development (R&D) projects under the Innovation and

Technology Fund administered by the Innovation and Technology Commission (ITC). Under these schemes, approvals have been given to more than 140 projects relating to R&D of green technology. Furthermore, the Hong Kong Science and Technology Parks Corporation and Cyberport have set up investment funds and incubation programmes to support start-ups, including those engaged in green technology.

The Government will continue to provide better and more focused funding support to research and development (R&D) projects which help Hong Kong decarbonise and enhance environmental protection with the Green Tech Fund (GTF). The Government has injected a total of \$400 million into the GTF to support R&D projects in the priority areas including net-zero electricity generation, energy saving and green buildings, green transport and waste reduction. 30 projects, involving a total grant of about HK\$130 million, from local universities, designated public research institutes and private enterprises have been approved.

- (v) In respect of Government green bonds, the Government Green Bond Programme (GGBP) covers nine eligible categories under the Green Bond Framework (Framework), namely renewable energy; energy efficiency and conservation; pollution prevention and control; waste management and resource recovery; water and wastewater management; nature conservation / biodiversity; clean transportation; green buildings; and climate change adaptation. The Framework has been assured by an independent provider of Environmental, Social and Governance (ESG) research and services. The Government obtains an issuance level (pre-issuance) external review from an independent, qualified third party for each bond issued under the Framework and releases a Green Bond Report on an annual basis, providing information on the allocation of the bond proceeds and the expected environmental benefits of the projects financed, with a qualified third party engaged to assure the contents of the Report. The latest edition of the Green Bond Report was released in August 2023.

In addition, the digital green bonds issued by the Government in February 2024 integrated green bond disclosures with digital assets platform for the first time. Key green bond documentation including the issuer's Green Bond Framework and relevant third-party review reports can be viewed on the digital assets platform, enhancing transparency and accessibility of information.

Furthermore, the Government launched the Green and Sustainable Finance Grant Scheme (GSFGS) in May 2021 with a total provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services. As of early March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. The 2024-25 Budget proposes to extend the GSFGS, which is due to expire in mid-2024, by three years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. The HKMA will announce the details in due course.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3088)

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 will issue \$120 billion worth of bonds in the coming financial year, including \$20 billion worth of retail green bonds and infrastructure bonds. In this connection, will the Government inform this Committee:

- i. of the details of the bond programmes, including the infrastructure projects to be funded by the retail green bonds, as well as the per annum interest rates and maturity periods of the infrastructure bonds;
- ii. whether the infrastructure bonds will be denominated in different currencies for subscription by local and overseas institutions; if yes, of the details; if no, the reasons for that?

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

Reply:

The Government made the announcement in the 2024-25 Budget to issue \$20 billion worth of retail green bonds and infrastructure bonds under the Infrastructure Bond Programme (IBP) and the Government Green Bond Programme (GGBP, to be renamed as the Government Sustainable Bond Programme, GSBP) in 2024-25. All bond proceeds will be credited to the Capital Works Reserve Fund (CWRF) for funding eligible projects supported by the CWRF.

The IBP will cover projects under the Government's capital works programme of the CWRF (except for those included or expected to be included in the GSBP), including projects under major infrastructure initiatives such as the Northern Metropolis. The GSBP covers the 9 eligible categories under the Green Bond Framework (Framework), namely renewable energy; energy efficiency and conservation; pollution prevention and control; waste management and resource recovery; water and wastewater management; nature conservation / biodiversity; clean transportation; green buildings; and climate change adaptation. The

Framework has been assured by an independent provider of Environmental, Social and Governance (ESG) research and services. The Government obtains an issuance level (pre-issuance) external review from an independent, qualified third party for each bond issued under the Framework and releases a Green Bond Report on an annual basis, providing information on the allocation of the bond proceeds and the expected environmental benefits of the projects financed, with a qualified third party engaged to assure the contents of the Report. Regarding sustainable projects, it is commonly accepted in the international capital markets that the concept of sustainable finance covers the financing of green projects and social projects, as well as financial instruments with the interest rates linked to the overall sustainability performance of the issuer. When allocating the bond proceeds to individual sustainable projects covered by the CWRF, the Government will ensure a proper allocation by making reference to the latest relevant international standards and principles, as well as the Government's environmental policies and targets.

The bond issuance parameters (including interest rate, tenor and currency type) under the two programmes and the individual projects supported by the bond proceeds will be determined taking account of the actual market conditions around the time of the bond issuance, and will be submitted for approval by the Steering Committee chaired by the Financial Secretary overseeing the programmes.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3174)

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 Multiple Central Bank Digital Currency Bridge Project (Project mBridge) has achieved good progress. Phase 1 of its service, which is expected to be launched this year, will become one of the first projects around the world to settle cross-boundary transactions for corporates using central bank digital currencies. The Chief Executive of the HKMA, Eddie Yue, stated in November last year that the Minimum Viable Product (MVP) is expected to be launched within the first half of this year and should be mainly used in trade settlement. Please inform this Committee of the following:

- (1) What are the details of the plan for launching Phase 1 of the service under the project? What is the specific timetable?
- (2) The project is in essence a mechanism which enables the settlement of cross-boundary transactions and capital using central bank digital currencies. Will e-CNY, e- HKD and the digital currencies of the Central Bank of the United Arab Emirates and the Bank of Thailand be included as “participating” digital currencies in Phase 1 of the service?
- (3) What is the cumulated amount of resources and manpower allocated to the project since HKMA’s co-operation with the Bank of Thailand?
- (4) What are the plans and targets for the next phase of the project?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 40)

Reply:

The Hong Kong Monetary Authority (HKMA), together with 3 central banks, namely the Digital Currency Institute of the People's Bank of China, 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 Multiple Central Bank

Digital Currency Bridge (mBridge). The mBridge project seeks to analyse the functions of the distributed ledger technology in facilitating conduct of real-time cross-border foreign exchange transactions in a multi-jurisdictional context and on a round-the-clock basis, as well as to explore the business use cases.

At present, the mBridge project has entered the Minimum Viable Product (MVP) development phase. The first phase of service (i.e. the MVP) is expected to be launched this year, paving the way for a production-ready system. The MVP is expected to feature decentralised node deployment, a more comprehensive legal framework and a fit-for-purpose governance framework, and will support the settlement of real-value cross-border transactions among participating central banks using central bank digital currency.

The HKMA welcomes more central banks and commercial banks to join the mBridge project. Depending on the effectiveness of the project, the HKMA will discuss with other members of the project at an appropriate juncture regarding central banks, banks and companies to be introduced in the next phase.

The expenditure and manpower involved in the mBridge project are absorbed by the existing resources of the HKMA. There is no separate breakdown on the relevant expenditure.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3175)

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:

Initial public offering (IPO) activities in Hong Kong's securities market decreased significantly in 2023. Please advise on:

1. as at last year, the number of IPOs in Hong Kong, total amount of funds raised, market capitalisation at the time of listing (the highest, lowest and the average amounts), business types and their corresponding percentage distribution in each of the past 10 years in table form, with figures of the Main Board and the Growth Enterprise Market (GEM) separately presented with elaboration;
2. also in table form (with figures of the Main Board and GEM separately presented), the number of listing applications submitted to the Hong Kong Exchanges and Clearing Limited (HKEX) and the Securities and Futures Commission (SFC), the average processing time before listing, the number of unsuccessful or withdrawn applications with types of reasons, in each of the past 10 years;
3. as understood by the HKEX and SFC, the reasons for the significant decrease of IPO activities in Hong Kong's securities market in 2023, as well as the main reasons for which listing applications submitted that year ended up unsuccessful; and
4. whether the Government will propose that the HKEX and the SFC formulate clear service indicators, including the response time of each relevant procedure, with a view to speeding up the IPO vetting process.

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

Reply:

(1) and (2)

According to the information provided by Hong Kong Exchanges and Clearing Limited (HKEX), the number, total funds raised and market capitalisation of newly listed companies as well as the listing application statistics from 2014 to 2023 are set out in **Annex I** and **Annex II**. On industry distribution, apart from traditional industries including property and construction as well as industrials, the major industries of the newly listed companies in the past few years also include such new economy elements as information technology, healthcare, consumer discretionary (e.g. automobiles, media and entertainment, and travel and leisure), etc.

(3) and (4)

Affected by various external macroeconomic factors, including the geopolitical situation, liquidity tightening, uncertainties over global economic outlook, etc., the local capital market has been under considerable pressure over the past year. The performance of Hong Kong's initial public offering (IPO) market is also inevitably influenced by these cyclical factors. Among the listing applications processed during the year, some applicants did not conduct an offering or complete the listing procedures after being approved in principle by the Listing Committee (i.e. the applicants did not complete the listing after issuing prospectus). Whether to conduct an offering after passing the hearing of the Listing Committee hinges on the listing applicant's own considerations. It is a commercial decision on the part of the applicant, having regard to market conditions and investor demand for the new shares. HKEX does not request listing applicants to give reasons for not completing a listing.

To maintain the competitiveness of Hong Kong's listing platform, the Government will continue to drive HKEX and the Securities and Futures Commission (SFC) to review the listing mechanism continuously and maintain communication with the industry to explore further optimising the efficiency and transparency of relevant work, seeking to balance between market development and regulatory needs. In order to provide stakeholders with a clear and objective understanding of the status of listing vetting, HKEX discloses on its website every month the number of listing applications, their processing status, and the average number of business days taken to issue a comment letter on the review of listing applications in that month.

Number, total funds raised and market capitalisation of newly listed companies from 2014 to 2023

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Main Board										
Number of newly listed companies	103	104	81	94	143	168	146	97	90	73
Total IPO funds raised (billion)	230.4	260.3	190.7	122.6	282.9	313.3	399.6	331.3	104.6	46.3
Average market capitalisation of newly listed companies (billion)	6.2	5.7	5.9	4.7	11.5	33.0	23.8	36.2	6.4	6.6
Highest market capitalisation of newly listed companies (billion)	88.4	75.4	92.8	49.9	380.4	3,764.1	702.8	712.9	44.3	105.7
Lowest market capitalisation of newly listed companies (million)	247	186	180	400	84	211	125	304	197	126
GEM										
Number of newly listed companies	19	34	45	80	75	15	8	1	0	0
Total IPO funds raised (million)	2,160	2,741	4,591	5,938	5,061	970	554	56	0	0
Average market capitalisation of newly listed companies (million)	468	305	412	280	265	262	277	222	0	0
Highest market capitalisation of newly listed companies (million)	3,624	1,390	5,320	1,480	640	350	560	222	0	0
Lowest market capitalisation of newly listed companies (million)	132	78	107	118	192	204	216	222	0	0

Listing Applications from 2014 to 2023

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Main Board										
Number of applications processed in the year										
Applications brought forward from the previous year and renewal applications ¹	40	45	54	65	107	177	136	113	162	109
New applications accepted in the year ²	138	142	132	160	285	238	190	269	155	111
Total number of applications processed in the year, with application status as follows:	178	187	186	225	392	415	326	382	317	220
Listed ³	104	108	84	95	144	169	147	97	90	73
Approved by the Listing Committee by year-end pending listing ⁴	24	14	18	22	42	45	27	38	59	33
Under processing	26	40	46	74	131	100	81	123	61	53
Others (i.e. lapsed ⁵ , rejected ⁶ , returned ⁷ or withdrawn)	24	25	38	34	75	101	71	124	107	61
Average time for vetting before Listing Committee hearing and from Listing Committee hearing to listing for applications that were listed (business days):										
Average days from first application to Listing Committee hearing (business days)	73	71	91	111	120	147	148	147	213	195
Average vetting time (business days)	Vetting by HKEX	24	28	38	56	57	67	56	51	82 (69) ⁸
	Response by applicants	49	43	53	55	63	80	92	96	131 (64) ⁸
Average days from Listing Committee hearing to listing (business days) ⁴	30	25	27	25	26	37	27	26	49	68

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GEM										
Number of applications processed in the year										
Applications brought forward from the previous year and renewal applications ¹	18	17	39	75	87	45	31	14	8	3
New applications accepted in the year ²	38	66	108	127	71	45	15	12	3	5
Total number of applications processed in the year, with application status as follows:	56	83	147	202	158	90	46	26	11	8
Listed	19	34	45	80	75	16	8	1	-	-
Approved by the Listing Committee by year-end pending listing ⁴	3	2	13	19	5	2	1	-	-	-
Under processing	12	34	56	65	36	26	11	8	3	3
Others (i.e. lapsed ⁵ , rejected ⁶ , returned ⁷ or withdrawn)	22	13	33	38	42	46	26	17	8	5
Average time for vetting before Listing Committee hearing and from Listing Committee hearing to listing for applications that were listed (business days):										
Average days from first application to Listing Committee hearing (business days)	85	96	117	120	134	193	212	279	-	-
Average vetting time (business days)	Vetting by HKEX	26	35	46	60	62	91	91	71	-
	Response by applicants	59	62	71	60	72	102	121	208	-
Average days from Listing Committee hearing to listing (business days) ⁴	20	18	26	29	23	53	23	26	-	-

¹ Including applications under processing as at 31 December of the previous year; applications accepted within three months following a lapsed application (i.e. renewal applications); and applications approved by the Listing Committee by year-end pending listing.

² Including applications filed with HKEX for the first time; and applications filed after a returned application, or more than three months after a lapsed, rejected or withdrawn application by the same applicant as a continuance of its original application.

³ Including companies listed through reverse takeovers.

⁴ The average time from the Listing Committee hearing to actual listing depends mainly on the applicant's own considerations and other factors such as the prevailing market environment. It is a commercial decision of the applicant.

⁵ An application would lapse when six months have elapsed since the submission of an application form pursuant to Main Board Listing Rule 9.03 and GEM Listing Rule 12.07.

⁶ HKEX will not disclose reasons of rejection for individual applications.

⁷ They are generally applications returned on the ground that the information in the listing application proof or related documents is not substantially complete.

⁸ It includes 6 applications and 4 applications with major regulatory issues in 2022 and 2023 respectively, the number of vetting days for which is longer than usual, ranging from more than 100 business days to more than 300 business days. If the 6 applications and 4 applications are excluded, the average number of days required for the remaining issuers in 2022 and 2023 are approximately 69 business days and 64 business days respectively.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)036

(Question Serial No. 3176)

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 Hong Kong Investment Corporation Limited (HKIC) manages the Hong Kong Growth Portfolio (HKGP) (\$22 billion), the Greater Bay Area Investment Fund (GBAIF) (\$5 billion) and the Strategic Tech Fund (STF) (\$5 billion) and the Co-Investment Fund (CIF) (\$30 billion). Please provide the following information on the funds managed by the HKIC in table form:

1. the annual total fund value, investment projects (including names of enterprises, business types and shareholding situation) and their respective amounts of the Future Fund (which incorporates the HKGP, the STF and the GBAIF) managed by the HKIC since its establishment and up to the end of January 2024, as well as the respective percentage of each project in the total fund value;
2. the total fund value, investment projects (including names of enterprises, business types and shareholding situation) and their respective amounts of the CIF of \$30 billion subsequently established up to the end of January 2024, as well as the respective percentage of each project in the total fund value;
3. the amount of investment return of each of the aforesaid investment projects to date;
4. whether any of the enterprises invested by the two funds are currently listed in Hong Kong? If yes, what are the details? If not, will the Government consider actively investing in listed enterprises in Hong Kong in the future, so as to promote and attract Hong Kong's start-ups and innovative enterprises of various levels to seek listing opportunities in Hong Kong to raise capital?
5. the expenditure on the emoluments of the management of the HKIC, including the monthly remuneration package and benefits of its Chief Executive Officer (who has assumed office since early October last year), and whether the relevant expenditure is paid by the Fund?

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

Reply:

Since the establishment of the Hong Kong Investment Corporation Limited (HKIC), the Board of Directors of the HKIC (Board) has provided guidance on the investment strategy, and the procedures and criteria for identifying investment partners or targets, having regard to the objectives of establishing the HKIC, and the respective scope of “Hong Kong Growth Portfolio”, “Greater Bay Area Investment Fund”, “Strategic Tech Fund”, and “Co-Investment Fund”.

The HKIC regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official background from the business, finance and academic sectors. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channeling capital and leveraging market resources, as well as to attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The HKIC will implement the first batch of direct investment and co investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage.

When sourcing and evaluating potential investment projects, in addition to considering to strive for reasonable return from a long-term and holistic perspective, the HKIC also focuses on unlocking the potential of capital in guiding the acceleration of support for constructing a more vibrant ecosystem for Hong Kong's strategic industries. Therefore, it is appropriate to adopt a long-term and comprehensive perspective to evaluate the deliverables of the HKIC, relevant indicators including the HKIC's ability in enhancing Hong Kong's ability to attract enterprises and investment, and angles such as upgrading industrial structure, strengthening impetus for economic growth, creating more high-quality career development opportunities for the public, and promoting industrial co-operation and development between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area. The Board will continue to give guidance on this area to the HKIC in due course.

The staff remuneration policy of the HKIC will be reviewed and recommended by the Remuneration Committee, and will be further reviewed by the HKIC Board. The Board determines the pay adjustment of HKIC staff each year having regard to the recommendations made by the Remuneration Committee, and any other relevant factors.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1703)

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 “performing its role of channelling capital and leveraging market resources, the Hong Kong Investment Corporation Limited (HKIC) will attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries.” In this connection:

- (1) What are the specific strategies and targets, including the number of technology companies as well as Mainland and overseas talents that the Government is hoping to attract to Hong Kong?
- (2) In respect of the first batch of direct investment and co-investment projects to be implemented in the first half of this year, what are the criteria and standards adopted by the HKIC in selecting the relevant investment projects? What are the details of the entire selection procedure and mechanism?
- (3) Based on different technology sectors, what are the expected number of direct investment and co-investment projects in each sector? What are the investment amounts involved in the direct investment and co-investment projects?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 1)

Reply:

Since the establishment of the Hong Kong Investment Corporation Limited (HKIC), the Board of Directors of the HKIC (Board) has provided guidance on the investment strategy, and the procedures and criteria for identifying investment partners or targets, having regard to the objectives of establishing the HKIC, and the respective scope of “Hong Kong Growth Portfolio”, “Greater Bay Area Investment Fund”, “Strategic Tech Fund”, and “Co-Investment Fund”.

The HKIC regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official

background from the business, finance and academic sectors. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in the future after the project progress reaches a maturity stage.

When sourcing and evaluating potential investment projects, in addition to considering to strive for return from a long-term and holistic perspective, the HKIC also focuses on unlocking the potential of capital in guiding the acceleration of support for constructing a more vibrant ecosystem for Hong Kong's strategic industries. Therefore, it is appropriate to adopt a long-term and comprehensive perspective to evaluate the deliverables of the HKIC, relevant indicators including the HKIC's ability in enhancing Hong Kong's ability to attract enterprises and investment, and angles such as upgrading industrial structure, strengthening impetus for economic growth, creating more high-quality career development opportunities for the public, and promoting industrial co-operation and development between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area. The Board will continue to give guidance on this area to the HKIC in due course.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1704)

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 Hong Kong Investment Corporation Limited will encourage enterprises in its investment portfolio to engage more actively in local, Mainland and overseas innovation and technology networks, where they can explore more application and development opportunities, while identifying potential investors and their target clientele.

- (1) Regarding the above initiatives, has the Government set any specific objectives and measures? What are the details of the measures? What are the estimated expenditure and manpower involved?
- (2) Please advise on the general ratio of public and private sector provision of application scenarios; whether the Government's provision of application scenarios has drawn a favourable response from enterprises; and how to encourage Government departments to use various technologies in order to provide enterprises with more diversified application scenarios.

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 2)

Reply:

- (1) At the initial stage of operation, the Hong Kong Monetary Authority rendered supports related to investment, logistics and operational matters. Since the assumption of duties of the CEO and other team members, the Hong Kong Investment Corporation Limited (HKIC) team has taken over operations and investment related matters, and regularly reports to its Board. In addition to officials from relevant policy bureaux, the Board also consists of industry leaders with non-official background from the business, finance and academic sectors. The Board will approve the company structure, as well as its governance, manpower and administration and other related expense budget based on the actual operational needs of HKIC. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the

development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage. Regarding the investment size of and arrangement for the HKIC in individual projects, the relevant factors for consideration include the strategic and financial value of the project to Hong Kong, the development stage, investment structure and risks of the relevant project.

- (2) The Government has also been actively introducing and applying innovation and technology (I&T) products and services from local start-ups with a view to playing a leading role. The major measures in recent years are as follows:
 - (i) The Public Sector Trial Scheme under the Innovation and Technology Fund provides eligible local companies/organisations with funding support for production of prototypes or samples and conducting trials of research and development (R&D) results in the public sector (including government departments), so as to facilitate the realisation and commercialisation of R&D results. As at the end of February 2024, the scheme has funded 465 projects with a total funding of about \$970 million, benefiting over 200 different organisations to conduct more than 630 trials;
 - (ii) The Smart Government Innovation Lab (Smart Lab) under of the Office of the Government Chief Information Officer promotes and invites industry players to assist government departments in adopting information technology solutions, creating more business opportunities for local start-ups as well as small and medium enterprises (SMEs). In the past 5 years, the Smart Lab matched solutions with over 100 business needs from around 30 government departments. Proof-of-concept trials for more than 70 technology solutions were conducted in collaboration with the departments concerned, among which over 40 projects have been planned or are in pilot application;
 - (iii) The E&M InnoPortal of the Electrical and Mechanical Services Department lists the technology-related needs of government departments, public sector and Electrical and Mechanical (E&M) trades. Organisations such as start-ups and academic institutions can propose I&T solutions via the portal for matching. In the past 5 years, about 310 I&T wishes and about 1 080 I&T solutions were collected via the portal. During the period, trials of about 150 I&T projects were launched; and
 - (iv) The I&T Solution Day is organised by the Efficiency Office to encourage and help government departments introduce and apply I&T products and solutions from local start-ups and SMEs, facilitating more business matching to achieve a win-win situation.

The Government does not maintain data on application scenarios provided by private organisations.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)039

(Question Serial No. 1722)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On enhancing the liquidity of the stock market and boosting market efficiency, the Securities and Futures Commission of Hong Kong and the Hong Kong Exchanges and Clearing Limited are considering an array of measures, including enhancing the listing regime, improving the transaction mechanism, boosting investor services and stepping up market promotion. It is also stated in the Budget that stamp duties payable on the transfer of real estate investment trust (REIT) units and the jobbing business of option market-makers will be waived to further enhance market competitiveness. Will the Government conduct a study on the tiered charging of stamp duty on stock transfers in 2024-25 to enhance the liquidity of the stocks of small and medium listed companies? If so, what are the specific details, estimated expenditure and timetable? If not, are there technical considerations or other reasons?

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

Reply:

Since the stamp duty on stock transfers is one of the important sources of public revenue, the Government needs to strike a balance between maintaining government revenue and promoting market development. The Government has reduced the rate of stamp duty to 0.1% in November 2023 to reduce investors' costs. To promote the trading and development of individual financial products, we have waived the stamp duties payable respectively for trading exchange-traded funds (ETFs), debt securities, derivatives, and specified transactions by market makers of the HKD-RMB dual counters. In addition, the 2024-25 Budget has announced the proposal that stamp duties payable on the transfer of real estate investment trust (REIT) units and the jobbing business of option market-makers will be waived. Our plan is to submit the relevant amendment bill to the Legislative Council within this year.

Besides, the Hong Kong Exchanges and Clearing Limited (HKEX) and financial regulators are studying the possibility of narrowing the spread by introducing smaller tick size. By reducing the bid-ask spread, the prices of relevant stocks can better reflect the changing

market conditions, thus reducing the indirect transaction cost to investors. HKEX aims to put forward specific proposals for public market consultation within the first half of this year.

- End -

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: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget proposes to extend the Green and Sustainable Finance Grant Scheme (the Scheme) for 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans, with a view to encouraging related industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. In this connection:

- (1) How many eligible bond issuers and loan borrowers are expected to receive subsidies in 2024-25 and what will be the scope of the subsidies and the amount involved?
- (2) What is the average amount of subsidies received in the past?
- (3) Has the Government assessed the overall effectiveness of the Scheme, including whether the Scheme can meet the objectives set by the Government? If so, what are the results of the assessment and follow-up arrangements?
- (4) Regarding the extension of the Scheme for 3 years, what impact does the Government expect it to have on the decarbonisation targets of related industries?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 25)

Reply:

The Government launched the Green and Sustainable Finance Grant Scheme (GSFGS) in May 2021 with a total provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services. Each eligible application could be granted up to \$2.5 million for the general bond issuance costs and \$800,000 for the external review costs.

The GSFGS has been well received by the industry. As of early March 2024, around \$220 million had been granted to 368 green and sustainable debt instruments issued in Hong

Kong, involving a total underlying debt issuance of around US\$110 billion. Among the approved cases, loans and bonds accounted for approximately 70% and 30% respectively, covering a diverse range of green and sustainable debt instruments such as green bonds, sustainable bonds, green loans and sustainability-linked loans. The subsidised issuers and borrowers included both local and non-local enterprises, mainly from the real estate, construction and energy sectors. The average subsidy amounts for each approved debt instrument as of early March 2024 were around \$2.38 million for general bond issuance costs, and around \$160,000 for external review costs (including pre-issuance and post-issuance external review services).

The 2024-25 Budget proposes to extend the GSFSGS by three years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. The Hong Kong Monetary Authority (HKMA) will announce the details in due course. As the issuance of these debt instruments hinges on market conditions, and transition financing is still at an early development stage, it may be difficult to estimate the number of enterprises that will benefit from the GSFSGS going forward.

The Government and the HKMA will continue to review the implementation of the GSFSGS from time to time, and introduce appropriate enhancements taking account of market developments, industry feedback and suggestions, etc.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1728)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget that to deepen Hong Kong's green and sustainable finance development, enterprises must align their practices in sustainability disclosure with international standards. The Financial Services and the Treasury Bureau and the Securities and Futures Commission will formulate a roadmap and vision statement to assist companies and financial institutions in sustainability reporting and the analysis of relevant data, elucidating our vision of promoting green and sustainable finance. In this connection, would the Government inform this Committee of the following:

- (1) When the roadmap and vision statement is expected to be announced at the earliest? What follow-up actions will be taken and whether such actions include drawing up a detailed implementation plan and schedule?
- (2) What are the main differences in sustainability disclosure between the current practices adopted by local enterprises and international standards; which existing legislations are expected to require amendment, so as to facilitate alignment with international standards?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 26)

Reply:

The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards) in June 2023, as the global baseline for corporate disclosure of climate and sustainability-related information. The Government will work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards.

We have set up a working group (working group), which is co-led by the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission, with members

comprising financial regulatory authorities and stakeholders (including the Hong Kong Exchanges and Clearing Limited and the Hong Kong Institute of Certified Public Accountants (HKICPA)), to prepare the roadmap. The roadmap will comprise 4 key areas — sustainability reporting, assurance, data and technology, and capacity building. Assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards (Hong Kong Standards) aligned with the ISSB Standards as well as the complementary application and implementation guidance. FSTB published on 25 March this year a vision statement, setting out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. The working group is already engaging with stakeholders to identify the specific circumstances that should be considered for the development and implementation of the Hong Kong Standards (including any need for legislative amendments). Our target is to launch the roadmap within 2024, to provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong as well as sufficient time for making preparations and developing readiness for the pragmatic implementation of the Hong Kong Standards.

In respect of listed companies, the Stock Exchange of Hong Kong Limited (SEHK) has under the Listing Rules required all listed companies to produce an ESG report annually and conducted periodic review of listed companies' ESG disclosures from 2016. To prepare listed companies towards eventual sustainability reporting in accordance with the Hong Kong Standards, the SEHK will enhance climate-related disclosures for listed companies under the Listing Rules framework. In this respect, SEHK launched a consultation in 2023 on the enhancement of climate-related disclosure requirements for Hong Kong listed companies. The proposed climate-related disclosure requirements were informed by the IFRS S2 Climate-related Disclosures Exposure Draft published by the ISSB and subsequent deliberations of the ISSB. SEHK is expected to publish the consultation conclusions in the first half of 2024, which will take into account the market feedback received, the requirements of the ISSB Standards and the guidance issued by the ISSB. Amendments to the Listing Rules are expected to take effect from 1 January 2025.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)042

(Question Serial No. 1729)

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 will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme in the first half of this year. It will provide early-stage funding support for green fintech, facilitating commercialisation and fostering the development of new green fintech initiatives. In this connection, please advise on:

- (1) the objectives and specific details of the scheme, including the estimated expenditure to be involved in the entire scheme, scope of subsidies, eligibility criteria and requirements, form of funding support, subsidy ceiling, application procedures, vetting and monitoring mechanisms, and implementation timetable, etc.; and
- (2) the estimated number of green fintech projects to be provided with early-stage funding support in the first year of since launching the scheme, as well as the numbers of enterprises and research institutes to be involved?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 27)

Reply:

Drawing on the successful experience in the implementation of the Fintech Proof-of-Concept Subsidy Scheme launched in 2021 and 2022 respectively, the Government will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme (Subsidy Scheme) with a total provision of \$10 million to provide early-stage funding support for green fintech, thereby facilitating commercialisation and fostering the development of new green financial technology (Fintech) initiatives. The initial estimation is that the Subsidy Scheme should be able to support about 50 proof-of-concept projects, with eligible product offerings covering environmental, social and governance (ESG) data and analytics, ESG disclosures and regulatory reporting, climate risk modelling and assessment, green digital finance and investments, carbon credit trading and analytics, etc. Beneficiaries include green Fintech companies as well as enterprises adopting these companies' innovative products.

The daily operation of the Subsidy Scheme (including processing applications, monitoring the implementation progress of approved projects, arranging disbursement, launching promotion, etc.) will be carried out by an implementation agent. The implementation agent will examine the funding applications and submit them to a multi-disciplinary advisory panel for approval. The implementation agent will be required to make regular reports to the Financial Services and the Treasury Bureau on the operation of the Subsidy Scheme.

We are proceeding with procedures for identifying the implementation agent, and will finalise such details as application eligibility, requirements, subsidy ceiling, etc., with a view to launching the Subsidy Scheme in the first half of 2024.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)043

(Question Serial No. 3253)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Estimates that the bureau will, in collaboration with the Commerce and Economic Development Bureau, continue to promote Hong Kong as a leading international financial centre, financial technology hub and family office hub, including stepping up the offering of one-stop services to family offices interested in establishing a presence in Hong Kong. In this connection, will the Government inform this Committee of the following:

1. How many family offices were enticed to establish a presence in Hong Kong in each of the past 2 years?
2. Please provide a detailed plan for stepping up the offering of one-stop services to family offices interested in establishing a presence in Hong Kong, as well as the financial arrangements and staffing establishment involved.

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 30)

Reply:

According to the research findings of the consultant commissioned by Invest Hong Kong (InvestHK) and publicised in March 2024, there were around 2 700 single family offices (FOs) operating in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. With funding support of the Financial Services and the Treasury Bureau, the dedicated FamilyOfficeHK team (the dedicated team) of InvestHK provides one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team has received more than 650 enquiries on setting up FOs in Hong Kong, mainly from the Mainland, ASEAN countries, the Middle East, Europe and the Americas, and assisted 64 FOs to set up or expand their business in Hong Kong. Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong.

To facilitate the set-up and expansion of FOs, 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. It will roll out diversified and face-to-face interactive events (e.g. seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2024 to promote to target clients Hong Kong's competitiveness as a FO hub. It has established offices in Beijing, Brussels, Dubai and Singapore, and plans to deploy manpower in the Mainland (e.g. Shanghai) to tell the good story of Hong Kong and showcase to target clients Hong Kong's competitiveness as a FO hub. In collaboration with in the Economic and Trade Offices around the world, the dedicated team will also conduct roundtable forums under the theme of FOs in major cities.

Following the success last year, FSTB and InvestHK organised the second Wealth for Good in Hong Kong Summit on 27 March 2024, an exclusive event for global FOs. Themed "Growing with Certainty Amid Growing Uncertainty", the Summit brought together influential FOs from around the world to engage with the industry, asset owners and wealth successors to explore investment opportunities and effective wealth management amid the volatile global economic climate, as well as showcased Hong Kong's long-standing vision as a leading hub for FOs and international asset and wealth management.

The dedicated team comprises 17 posts, including 1 global head, 1 deputy global head, 6 senior vice presidents, 2 vice presidents, 1 senior executive manager, and 6 Mainland or overseas regional heads. In addition, the 2023-24 Budget has stated that the Government will allocate \$100 million to InvestHK from 2023-24 to 2025-26 for attracting more FOs to Hong Kong. InvestHK's overall estimated expenditure for promoting the development of FO business in 2023-24 and 2024-25 is about \$51.2 million and \$49.8 million respectively.

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

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3262)

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

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

Programme: (1) Financial Services

Controlling Officer: Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

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 while the Securities and Futures Commission (SFC) is responsible for monitoring the HKEX. There are views in the community that during the approval process, the HKEX and SFC ask a lot of tough questions which are difficult for smaller-scale enterprises to handle, thereby reducing their chance of getting listed. In this connection, would the Government inform this Committee of:

1. i) the number of newly listed companies; ii) the average time taken from application to approval for listing; iii) the average approval time; and iv) the staff establishment for approving applications in each of the past 3 years in table form;
2. during the approval process of listing applications submitted by corporate issuers, the average total number of questions the HKEX and SFC put to each corporate issuer, the types of questions and the reasons for those questions in the past 3 years;
3. whether the Government will consider formulating a clearer framework for the approval regime to appropriately streamline the procedures; if yes, the details; if not, the reasons.

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 35)

Reply:

(1) and (2)

The number of newly listed companies (including Main Board and GEM), and the relevant average vetting time by Hong Kong Exchanges and Clearing Limited (HKEX) and response time by applicants, in each of the past three years are set out in the table below:

Year	2021	2022	2023
Number of new listings	98	90	73
Average days from first application to Listing Committee hearing (business days)	148	213	195
Vetting by HKEX	51	82 (69) ¹	69 (64) ¹
Response by applicants	97	131	126
Average days from Listing Committee hearing to listing² (business days)	26	49	68

¹ They include 6 applications and 4 applications with major regulatory issues in 2022 and 2023 respectively, the number of vetting days for which is longer than usual, ranging from more than 100 business days to more than 300 business days. If the 6 applications and 4 applications are excluded, the average number of days required for the remaining issuers in 2022 and 2023 are approximately 69 business days and 64 business days respectively.

² The average time from the Listing Committee hearing to actual listing depends mainly on the applicant's own considerations and other factors such as the prevailing market environment. It is a commercial decision of the applicant.

During the same period, more than 90% of listing applications required less than 60 business days for vetting by the Securities and Futures Commission (SFC), while the remaining less than 10% of listing applications often involved serious issues, such as the authenticity of the applicant's financial information or compliance matters.

The Listing Division of the Stock Exchange of Hong Kong Limited under HKEX and the Corporate Finance Division of the SFC are responsible for listing vetting. The total number of questions and matters of concern raised vary, depending on applicants' individual circumstances. Overall speaking, they are essentially related to the content of the application materials, including whether an applicant has provided adequate, accurate, complete and non-misleading disclosures about its business, financial situation and prospects. The purpose is to ensure that applicants meet the listing requirements, thereby protecting the investing public. HKEX and the SFC do not maintain statistics on individual aspects of vetting (the total number of questions raised, their classification, reasons for raising them, etc.). The Financial Services and the Treasury Bureau handles the policy work relating to listing with existing manpower and resources. There is no itemised breakdown of expenditure.

- (3) Listing vetting is an important step to review the compliance of listing applicants and maintain market quality. Its objective is to protect the rights and interests of the investing public who subscribe to the relevant stocks, especially some retail investors who may not have professional knowledge of corporate finance. Under the current listing regime, HKEX plays the role of a front-line regulator, reviewing and approving listing applications in accordance with the Listing Rules. The SFC supervises HKEX's performance of its functions and responsibilities related to listing matters. In accordance with the powers conferred by the Securities and Futures (Stock Market Listing) Rules and the Securities and Futures Ordinance, the SFC also reviews and intervenes in serious cases involving issues such as corporate misconduct.

To provide more facilitation for issuers (in particular small and medium enterprises) to list and raise funds, HKEX implemented a series of GEM reform measures in January 2024 upon consulting the market. They include adding a new “streamlined transfer mechanism” to enable GEM issuers that meet the Main Board listing qualifications to transfer to the Main Board, while removing the requirements on the appointment of a sponsor to carry out due diligence prior to the transfer and the issuance of a “prospectus-standard” listing document. HKEX has also exempted all GEM transferees to the Main Board from the payment of the Main Board initial listing fee. On continuing obligations, HKEX has removed the requirements concerning compliance officers, shortened the engagement period of compliance advisers, and removed quarterly financial reporting as a mandatory requirement. Relevant measures will enhance the efficiency of the transfer process, as well as reduce compliance costs for issuers.

In addition, the key steps of applying for listing include appointing sponsors and other advisors to provide professional advice; preparing the prospectus; submitting the listing application; and going through listing vetting as well as hearing by Listing Committee. To enhance transparency of listing vetting and strengthen the market’s understanding of the latest requirements of the Listing Rules, HKEX published the Guide for New Listing Applicants in November 2023 to consolidate and rearrange the guidance letters on listing-related matters and listing decisions, with a view to further facilitating preparation for listing. In order to provide stakeholders with a clearer and more objective understanding of the status of listing vetting, HKEX discloses on its website every month the number of listing applications, their processing status, and the average number of business days taken to issue a comment letter on the review of listing applications in that month. The Government will continue to drive HKEX and the SFC to review the listing mechanism continuously and maintain communication with the industry to explore further optimising the efficiency and transparency of relevant work, seeking to balance between market development and regulatory needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)045

(Question Serial No. 3148)

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 to enhance Hong Kong's attractiveness to enterprises and capital, the Hong Kong Investment Corporation Limited (HKIC) will host a Roundtable for International Sovereign Wealth Funds and a Summit on Start-up Investment and Development in Hong Kong. In this connection, will the Government inform this Committee of:

1. the manpower and expenditure involved since the inception of the HKIC;
2. the specific plans and details with regard to the hosting of the roundtable meeting and the summit, as well as the estimated manpower and expenditure involved?

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 40)

Reply:

At the initial stage of operation, the Hong Kong Monetary Authority rendered supports related to investment, logistics and operational matters. Since the assumption of duties of the CEO and other team members, the Hong Kong Investment Corporation Limited (HKIC) team has taken over operations and investment related matters, and regularly reports to its Board. In addition to officials from relevant policy bureaux, the Board also consists of industry leaders with non-official background from the business, finance and academic sectors. The Board will approve the operational budget and the company structure, as well as its governance, manpower and administration arrangements based on the actual operational needs of HKIC.

The HKIC is also moving full steam ahead on the preparatory work for "Roundtable for International Sovereign Wealth Funds" and the "Summit on Start-up Investment and Development in Hong Kong", including liaising closely with the HKSAR Government and the relevant institutions on the appropriate arrangements. More details will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)046

(Question Serial No. 0872)

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 consultation exercise on GEM listing reforms was completed last year, and the new mechanism came into effect on 1 January 2024. In this connection, please inform this Committee of the following:

1. Please set out the numbers of GEM listing applications and the total amount of funds raised in 2023, with a breakdown by categories including but not limited to successful/rejected/withdrawn applications.
2. After the implementation of the new mechanism, what are the performance targets set for GEM, as well as the numbers of listing applications received and the amount of total daily turnover?
3. Are there any plans to step up promotion of GEM after the implementation of the new mechanism? If yes, what are the details, timetable and estimated expenditure? If no, what are the reasons?
4. As at early February this year, no listing applications have been submitted by issuers. Besides, the full-day turnover recorded on 8 February 2024 was the lowest since 27 September 2004. There are views that these may indicate that the reform has yet to improve the market sentiment. Will the Government conduct another consultation exercise targeted at the market and the business sector if necessary?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 27)

Reply:

In 2023, Hong Kong Exchanges and Clearing Limited (HKEX) had received 5 GEM listing applications, including 2 applications under processing, 2 lapsed applications¹ and 1 withdrawn application. There was no new listing on GEM in 2023.

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

To provide a more effective fundraising platform for small and medium enterprises, HKEX implemented a series of GEM reform measures on 1 January 2024 based on majority support. These include introducing a new financial eligibility test for high growth enterprises that are heavily engaged in research and development activities; introducing a new “streamlined transfer mechanism” to enable eligible GEM issuers to transfer to the Main Board without the need to appoint a sponsor to carry out due diligence or produce a “prospectus-standard” listing document; reducing the post-initial public offering lock-up period imposed on GEM issuers’ controlling shareholders to 12 months; and removing the mandatory quarterly reporting requirements and aligning other continuing obligations of GEM with those of the Main Board. The measures aim to enhance GEM’s attractiveness to issuers and provide them with the prospect to transfer to the Main Board.

Affected by external factors, since the implementation of the new mechanism up to end-February 2024, no new GEM listing application was received by HKEX. The average daily turnover of GEM was about \$56 million. Considering that the reform measures have only been in operation for a short period, HKEX will closely monitor the effectiveness of the measures, and conduct further review taking account of the implementation experience and the market situation.

The Government, HKEX and financial regulators will continue to promote Hong Kong’s listing platform to the Mainland and overseas markets, and present to potential issuers the latest listing rules, listing channels and various opportunities in Hong Kong’s financial market. Notably, HKEX is preparing for various major promotion activities in the coming year, including jointly organising different thematic flagship summits and events with organisations in the Middle East and Southeast Asia. It aims to strengthen the connection between Hong Kong and overseas markets as well as explore how to leverage Hong Kong’s capital market to support research and development and commercialisation for enterprises, with a view to generating more interest from issuers and capital in the Hong Kong market. HKEX will also continue to participate in different outreach activities, expanding the coverage of enterprises and introducing in detail the advantages of Hong Kong’s listing platform through thematic speeches, forum exchanges, and roadshow events. The Government will coordinate the relevant promotion work with existing resources. There is no itemised breakdown of expenditure.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0873)

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 attract more family offices to Hong Kong, the Government announced last year that it would allocate \$100 million to InvestHK over 3 years. In this connection, will the Government inform this Committee:

1. of InvestHK's expenditure on the team for introducing family offices and its staffing establishment as at February 2024;
2. of the progress as at February 2024 of the target set earlier to facilitate no less than 200 family offices to set up operations or expand their business in Hong Kong by the end of 2025;
3. of the number and details of seminars, international conferences, forums, media interviews and duty visits held in 2023 for the promotion of Hong Kong's competitiveness as a family office hub;
4. of the details of the plan to train talents for the financial services industry and wealth management personnel in 2023, including the respective numbers of training places, and the expenditure and manpower involved in the training; and
5. whether there is any plan to match family offices coming to Hong Kong with local small and medium enterprises, so that they can provide the former with legal and accounting services, thereby promoting the economic development of Hong Kong effectively; if yes, of the details?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 28)

Reply:

(1), (2), (3) and (5)

The Government has been actively promoting the development of family office (FO) business in Hong Kong to help the industry seize new business opportunities. According to the findings of the consultancy research commissioned by Invest Hong

Kong (InvestHK) and publicised in March 2024, there were around 2 700 single FOs in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above.

With funding support of the Financial Services and the Treasury Bureau (FSTB), InvestHK set up a dedicated FamilyOfficeHK team (the dedicated team) in 2021 to provide one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. The dedicated team comprises 17 posts, including 1 global head, 1 deputy global head, 6 senior vice presidents, 2 vice presidents, 1 senior executive manager, and 6 Mainland or overseas regional heads. The estimated expenditure in 2023-24 is about \$51.2 million. As of end-March 2024, the dedicated team has assisted 64 FOs to set up or expand their business in Hong Kong. More than 130 FOs indicated that they are preparing or have decided to set up or expand their business in Hong Kong.

The dedicated team's duties include supporting asset owners to set up FOs in Hong Kong and providing them with relevant information, including matters relating to living in Hong Kong (such as opening of bank accounts, housing, healthcare, etc.), tax and business regulations, and contacts of professional service providers (such as asset and wealth management, legal and accounting services) to address FOs' needs. To this end, the dedicated team launched the Network of Family Office Service Providers in June 2023 to bring together the global networks of the relevant professional services providers (including small and medium enterprises providing asset and wealth management, legal and accounting services) to promote Hong Kong's advantages and opportunities to target markets and offer assistance to FOs as needed.

In 2023, the dedicated team conducted over 150 investment promotion activities (e.g. roundtables, seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia, the Middle East, Europe, the Americas and Australia) to promote Hong Kong's competitiveness and unique advantages as a FO hub through diversified and face-to-face interactions. Moreover, FSTB and InvestHK organised the inaugural Wealth for Good in Hong Kong Summit on 24 March 2023 to showcase Hong Kong's appeal as a world-leading international asset and wealth management hub and its long-term future. The Summit was attended by over 100 key decision makers from global FOs and their professional teams, and discussed two critical priorities faced by FOs: wealth preservation and sustaining long-term growth, coupled with the need to positively impact society and communities. Following the success last year, FSTB and InvestHK conducted the second Wealth for Good in Hong Kong Summit on 27 March this year. Themed "Growing with Certainty Amid Growing Uncertainty", the Summit brought together influential FOs from around the world to engage with the industry, asset owners and wealth successors to explore investment opportunities and effective wealth management amid the volatile global economic climate, as well as showcased Hong Kong's long-standing vision as a leading hub for FOs and international asset and wealth management.

- (4) The Government launched in August 2016 the "Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector" (Programme) to provide subsidy for tertiary student internships and professional training for practitioners, and promote the employment opportunities and career prospects of the industry through different channels. Under the Programme, eligible financial institutions offer internship

opportunities in the asset and wealth management sector to tertiary students, while professional institutions provide industry-related eligible training programmes to practitioners. In 2023-24, the actual expenditure of the Programme was about \$7.8 million, with 170 tertiary students having completed their internships and 256 applications for professional training course fee subsidy approved. The Government is exploring with industry associations the expansion of the Programme to cover the new areas of the asset and wealth management sector (e.g. FO business).

Separately, the Financial Services Development Council established the Hong Kong Academy for Wealth Legacy (HKAWL) in November 2023 to provide a platform for collaboration, networking, knowledge sharing, and to provide relevant training for the FO sector, asset owners and wealth inheritors, thereby promoting positive financial management values and strengthening the talent pool for FOs. The HKAWL plans to organise no less than 7 continuous training, knowledge sharing and networking activities for asset owners and FO practitioners in 2024-25, which are expected to be attended by around 400 participants and involve an estimated expenditure of about \$700,000.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)048

(Question Serial No. 1069)

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:

1. the number of SPAC listing applications received by the HKEX, the number of successfully listed SPACs and the total turnover in 2023; and
2. whether there are plans and measures to facilitate further development of the SPAC market and create more opportunities for enterprises and investors in the light of the situation since the launch of the SPAC listing regime?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 38)

Reply:

In 2023, the Hong Kong Exchanges and Clearing Limited (HKEX) received three listing applications for Special Purpose Acquisition Companies (SPACs). No SPAC was listed over the same period.

In 2023, the total turnover of SPAC securities was about \$98 million. Since a SPAC is a cash company without business, the subscription as well as sale and purchase of SPAC securities prior to a De-SPAC transaction are restricted to professional investors under the Listing Rules. In addition, investors mainly focus on the long-term growth in value of the successor company upon the merger and acquisition (M&A) of a SPAC with a company having substantive business operations. Therefore, the trading volume of SPAC securities will be relatively low as compared to the general listed companies with business operations.

The listing regime for SPACs was introduced by HKEX to offer another channel for enterprises to list on the Main Board in addition to traditional initial public offerings, thereby facilitating more companies to raise funds in Hong Kong and enhancing the competitiveness of the Hong Kong listing platform. Since the implementation of the mechanism, HKEX had received 14 listing applications for SPACs, of which five were listed including two SPACs that have announced their merger and acquisition plans. HKEX will closely monitor the listing applications, operation of the listed SPACs and execution of the relevant M&A plans.

HKEX will continue its promotion efforts to attract more issuers to list in Hong Kong through various channels (including SPAC), and consider further enhancements as appropriate.

- End -

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: (-) 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 33 of the Budget Speech that “performing its role of channelling capital and leveraging market resources, the Hong Kong Investment Corporation Limited (HKIC) will attract more innovation and technology companies to establish their presence in Hong Kong, accelerating the development of strategic industries.” In this connection, would the Government inform this Committee of:

1. the current staff establishment and number of employees of the HKIC;
2. the distribution of the HKIC's current investment portfolio by industry; and
3. the distribution of the HKIC's current investment portfolio by geographical location.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 21)

Reply:

At the initial stage of operation, the Hong Kong Monetary Authority rendered supports related to investment, logistics and operational matters. Since the assumption of duties of the CEO and other team members, the Hong Kong Investment Corporation Limited (HKIC) team has taken over the operations and investment related matters, and regularly reports to its Board. In addition to officials from relevant policy bureaux, the Board also consists of industry leaders with non-official background from the business, finance and academic sectors. The Board will approve the company structure, as well as its governance, manpower and administration and other related operational budget based on the actual operational needs of HKIC. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channeling capital and leveraging market resources, as well as to attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The HKIC

will implement the first batch of direct investment and co investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage. Regarding the investment size of and arrangement for the HKIC in individual projects, the relevant factors for consideration include the strategic and financial value of the project to Hong Kong, the development stage, investment structure and risks of the relevant project.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)050

(Question Serial No. 2736)

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 45 of the Budget Speech, during the past year, the Hong Kong Exchanges and Clearing Limited has implemented a number of measures, including establishing the listing regime for specialist technology companies and the Hong Kong Dollar-Renminbi Dual Counter securities model. In this connection, would the Government inform this Committee of the following:

1. At present, how many companies have been listed and are applying for listing under the listing regime for specialist technology companies?
2. What are the monthly turnover and the average daily turnover of transactions conducted in Renminbi (RMB) under the Hong Kong Dollar-Renminbi Dual Counter securities model since its establishment in June 2023?
3. In the future, how will the Government facilitate the purchase of RMB-denominated Hong Kong stocks by Middle Eastern and Southeast Asian countries through the Hong Kong Dollar-Renminbi Dual Counter securities model, in order to promote the internationalisation of RMB?

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 23)

Reply:

- (1) Hong Kong Exchanges and Clearing Limited (HKEX) launched the listing regime for specialist technology companies in March 2023 after consulting the market, facilitating large-scale specialist technology companies to list and raise funds through the new eligibility test. The regime currently covers 5 key specialist technology industries including next-generation information technology, advanced hardware and software, advance materials, new energy and environmental protection, and new food and agriculture technologies. With our successful experience in allowing listing of pre-

revenue biotechnology companies in Hong Kong, the listing regime for specialist technology companies can help address the fundraising needs of enterprises at different development stages, thus facilitating technology companies to access international capital and expand their businesses, while enhancing Hong Kong's status as a premier listing venue for global innovative companies. Since the launch of the regime, HKEX has received two relevant listing applications, and will continue to engage with a number of interested potential enterprises to assist them in listing and raising funds through the regime.

- (2) The HKEX launched the “Hong Kong Dollar (HKD)-RMB Dual Counter Model” (dual-counter model) in June 2023. A total of 24 issuers have adopted the dual-counter model and provided HKD and RMB securities trading. The monthly turnover and the average daily turnover of the RMB counters since its launch is shown in the table below:

Month	Total turnover (RMB million)	Average daily turnover (RMB million)
June 2023 (Since 19 June)	1,745	194
July 2023	2,878	144
August 2023	2,943	128
September 2023	1,402	74
October 2023	2,868	143
November 2023	1,929	88
December 2023	1,904	100
January 2024	1,318	60
February 2024	980	52

- (3) Through promotional activities (including visits, coorganising activities with local organisations, participating in outreach activities, holding industry education activities, and assisting with roadshows of relevant companies), the Government and HKEX will promote the opportunities for allocating high quality equity assets via the RMB counters, with a focus on overseas economies that conduct cross-border trade in RMB (e.g. the Middle East and South East Asia countries). The Government will also strengthen publicity through the Economic and Trade Offices in the Mainland and overseas and InvestHK.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1167)

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:

Last August, the Government announced the establishment of the Task Force on Enhancing Stock Market Liquidity (Task Force) to comprehensively review factors affecting stock market liquidity. In this connection, would the Government inform this Committee of the following:

1. Please provide the number of meetings that the Task Force has held since its establishment, as well as the staff establishment and expenditure involved for supporting the work of the Task Force.
2. Last year, the Task Force proposed that the stamp duty on stock transfers be reduced to its original rate of 0.1% of the transaction value payable by both buyers and sellers. This measure has come into effect since mid-November 2023. Will the Task Force keep reviewing the effectiveness of the measure, and explore room for further lowering the stamp duty on stock transfers? If yes, what are the details?
3. Over the past 5 years, how many companies on the Hong Kong stock market have conducted share buy-backs? What was the total amount involved?
4. Does the Task Force have any specific measures to encourage enterprises to hold the shares bought back in treasury?
5. How does the Task Force assess the effectiveness of reducing the bid-ask spread of shares; and
6. When does the Task Force expect to submit its final report to the Chief Executive?

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 16)

Reply:

(1) and (6)

Facing the challenges from the external environment to the stock market, the Government established the Task Force on Enhancing Stock Market Liquidity (Task Force) in August 2023 to comprehensively review the factors affecting market liquidity and propose concrete recommendations to strengthen the competitiveness and sustainable development of the stock market. The Task Force held multiple meetings before it submitted a report to the Government in early October. The Chief Executive has announced to accept the recommendations of the Task Force in the 2023 Policy Address. Since then, the Government, together with the Securities and Futures Commission (SFC) and Hong Kong Exchanges and Clearing Limited (HKEX), has been implementing the short-term recommendations made by the Task Force at full speed. The work of the Task Force was handled by the Financial Services Branch (FSB) with existing manpower and resources. There is no itemised breakdown of expenditure.

(2) Since the stamp duty on stock transfers is one of the important sources of public revenue, the Government needs to strike a balance between maintaining government revenue and promoting market development. The Government has reduced the rate of stamp duty to 0.1% in November 2023 to reduce investors' costs. In addition, the 2024-25 Budget has announced the proposal that stamp duties payable on the transfer of real estate investment trust (REIT) units and jobbing business of option market-makers will be waived. We plan to submit the relevant amendment bill to the Legislative Council within this year.

(3) and (4)

In the past 5 years, the number of listed issuers that conducted share repurchases and the total repurchase amount in the Hong Kong stock market are as follows:

	2019	2020	2021	2022	2023
Number of listed issuers that conducted share repurchases	195	172	190	223	200
Total repurchase amount (HK\$ billion)	14.57	16.26	38.81	104.25	126.63

The Listing Rules currently require that all repurchased shares be cancelled. To provide greater flexibility for listed issuers to manage their capital and cash flow, the Task Force supported HKEX's recommendation to explore introducing a treasury share regime. HKEX launched a market consultation in October 2023 to collect feedback on the detailed recommended measures to permit listed issuers to hold and re-sell treasury shares under appropriate safeguards to protect investors. HKEX considers that if issuers can hold repurchased shares in treasury and sell them when market conditions permit in the future, they can adjust their share capital more flexibly and quickly and reduce their fundraising costs. The measure could also facilitate issuers to proactively consider the option of repurchasing shares at the appropriate time to boost investor

sentiment. The consultation ended in December 2023. HKEX expects to publish the consultation conclusions in the first half of this year and finalise the way forward.

- (5) As pointed out by the Task Force, the stock trading spread in Hong Kong is higher than that in other markets. In this connection, HKEX and financial regulators are studying the possibility of narrowing the spread by introducing smaller tick size. By reducing the bid-ask spread, the prices of relevant stocks can better reflect the changing market conditions, thus reducing the indirect transaction cost to investors. HKEX aims to put forward specific proposals for public market consultation within the first half of this year.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1168)

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 Hong Kong Investment Corporation Limited (HKIC) consolidates the management of some of the funds established under the Future Fund. As a result, the HKIC has a capital of no less than \$62 billion, which is to be used to attract more enterprises and support them in developing their business in Hong Kong. In this connection, will the Government inform this Committee of the following:

1. the operating expenditure and staff establishment of the HKIC in 2023-24;
2. further to the above question, the estimated operating expenditure and staff establishment of the HKIC in 2024-25;
3. the factors determining the remuneration of the Chief Executive Officer of the HKIC;
4. regarding the Co-Investment Fund, the total number of investment proposals received, the total amount of investment funds disbursed, the number of institutions which have been disbursed with investment funds and the amount of funds disbursed to each institution, and the percentage of innovation and technology enterprises in the institutions which have been disbursed with investment funds to date; and
5. the estimated amount of investment and the target returns of the HKIC in 2024-25.

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 17)

Reply:

At the initial stage of operation, the Hong Kong Monetary Authority rendered supports related to investment, logistics and operational matters. Since the assumption of duties of the CEO and other team members, the Hong Kong Investment Corporation Limited (HKIC) team has taken over the operations and investment related matters, and regularly reports to its Board.

In addition to officials from relevant policy bureaux, the Board also consists of industry leaders with non-official background from the business, finance and academic sectors. The Board will approve the company structure, as well as its governance, manpower and administration and other related operational budget based on the actual operational needs of HKIC. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage. Regarding the investment size of and arrangement for the HKIC in individual projects, the relevant factors for consideration include the strategic and financial value of the project to Hong Kong, the development stage, investment structure and risks of the relevant project.

The staff remuneration policy of the HKIC will be reviewed and recommended by the Remuneration Committee, and will be further reviewed by the HKIC Board. The Board determines the pay adjustment of HKIC staff each year having regard to the recommendations made by the Remuneration Committee, and any other relevant factors.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2091)

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 Hong Kong Investment Corporation Limited, will the Government inform this Committee of the following:

- 1) of the \$62 billion capital currently under its management, the amount and proportion of funds invested or funds committed for investment (by industry/project type);
- 2) its estimates of expenditure for 2023-24 and 2024-25;
- 3) its corporate structure, governance, personnel arrangement as well as administration and management;
- 4) the investment philosophy, selection criteria, target returns and performance indicators in respect of the first batch of direct investment and co-investment projects to be implemented in the first half of this year, and regarding the above investment projects, the proportion of investment in such areas as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries in the total investment;
- 5) the allocation strategy and assessment criteria in respect of the Capital Investment Entrant Scheme Investment Portfolio under its management; whether priority would be given to local projects, and if so, the details, and if not, the reasons; and
- 6) the preparatory work and implementation schedules for the Roundtable for International Sovereign Wealth Funds and the Summit on Start-up Investment and Development in Hong Kong, as well as the estimated expenditures to be incurred.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 12)

Reply:

Since the establishment of the Hong Kong Investment Corporation Limited (HKIC), the Board of Directors of the HKIC (Board) has provided guidance on the investment strategy, and the procedures and criteria for identifying investment partners or targets, having regard to the objectives of establishing the HKIC, and the respective scope of "Hong Kong Growth

Portfolio", "Greater Bay Area Investment Fund", "Strategic Tech Fund", and "Co-Investment Fund".

At the initial stage of operation, the Hong Kong Monetary Authority rendered supports related to investment, logistics and operational matters. Since the assumption of duties of the CEO and other team members, the HKIC team has taken over the operations and investment related matters, and regularly reports to its Board. In addition to officials from relevant policy bureaux, the Board also consists of industry leaders with non-official background from the business, finance and academic sectors. The Board will approve the company structure, as well as its governance, manpower and administration and other related expense budget based on the actual operational needs of HKIC. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage. Regarding the investment size of and arrangement for the HKIC in individual projects, the relevant factors for consideration include the strategic and financial value of the project to Hong Kong, the development stage, investment structure and risks of the relevant project.

The HKIC is formulating the implementation details for relevant parts of the new Capital Investment Entrance Scheme, as well as moving full steam ahead on the preparatory work for Roundtable for International Sovereign Wealth Funds, and Summit on Start-up Investment and Development, including liaising closely with the HKSAR Government and the relevant institutions on the appropriate arrangements. The HKIC will announce more details in due course.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2092)

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 family offices, please advise this Committee of:

- 1) the total number of enquiries received by the Government on the establishment of family offices and the number of setups since the implementation of the tax concession measures for qualifying transactions of single family offices;
- 2) the capital sizes, numbers of persons in the industry and places of origin of the existing family offices in Hong Kong;
- 3) the Government's plan on promoting family offices to set up in Hong Kong over the past year with details and its effectiveness; and
- 4) the advantages of setting up family offices in Hong Kong; the specific plan to showcase Hong Kong's advantages and attract more family offices to Hong Kong; the estimated expenditure and manpower involved in and the implementation timetable of the above plan.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 13)

Reply:

(1) and (2)

According to the findings of the consultancy research commissioned by Invest Hong Kong (InvestHK) and publicised in March 2024, there were around 2 700 single family offices (FOs) operating in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above.

With funding support of the Financial Services and the Treasury Bureau (FSTB), InvestHK set up a dedicated FamilyOfficeHK team (the dedicated team) in 2021 to provide one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment, the dedicated team has received more than 650 enquiries on setting up FOs in Hong Kong, mainly from the Mainland, ASEAN countries, the Middle East, Europe and the Americas, and has assisted 64 FOs to set up or expand their business in Hong Kong (including 38 FOs having set up or expanded their business in Hong Kong after the profits tax exemption regime for single FOs has taken effect). Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong. As individual FOs' assets under management involve commercially sensitive information, it is not appropriate to disclose the details.

(3) and (4)

Under the "One country, Two systems" principle, Hong Kong practises the common law system, and administers a regulatory system that closely aligns with international standards. Our robust financial markets have been developing in a stable and orderly way. Hong Kong has the unique advantage of benefitting from the strong support of our motherland while being closely connected to the world. Its world-class financial infrastructure as well as diversified and efficient capital market that connects the Mainland and global capital markets render it a leading global asset and wealth management hub and an ideal base for FOs.

The Government has been actively promoting the development of FO business in Hong Kong to help the industry seize new business opportunities. FSTB issued the "Policy Statement on Developing Family Office Businesses in Hong Kong" in March 2023 with a view to creating a conducive and competitive environment for the businesses of FOs and asset owners to thrive in Hong Kong. A number of measures have already been implemented, including

- (a) the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 was passed by the Legislative Council in May 2023 to provide profits tax exemption for family-owned investment holding vehicles managed by single FOs in Hong Kong with effect from any years of assessment commencing on or after 1 April 2022;
- (b) in July 2023, regulators published a circular to the industry on streamlining the suitability assessment when dealing with sophisticated professional investors (SPIs) with a view to enhancing customer experience. Intermediaries may provide product characteristics, nature and extent of risks to an SPI upfront instead of before each transaction. Intermediaries are not required at a transaction level to match the SPI's risk tolerance level, investment objectives and investment horizon, or to assess the SPI's knowledge, experience and concentration risk;
- (c) the Hong Kong Academy for Wealth Legacy was established in November 2023 to provide a platform for collaboration, networking, knowledge sharing, and to provide relevant training for the FO sector, asset owners and wealth inheritors, thereby promoting positive financial management values and strengthening the talent pool for FOs; and

- (d) the New Capital Investment Entrant Scheme is open for application from 1 March 2024 to further enrich the talent pool and attract new capital to Hong Kong.

In 2023, the dedicated team conducted over 150 investment promotion activities (e.g. roundtables, seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia, the Middle East, Europe, the Americas and Australia) to promote Hong Kong's competitiveness and unique advantages as a FO hub through diversified and face-to-face interactions. The dedicated team has established offices in Beijing, Brussels, Dubai and Singapore, and plans to deploy manpower in the Mainland (e.g. Shanghai) to tell the good story of Hong Kong and showcase Hong Kong's strength as a FO hub. The dedicated team, in collaboration with the Economic and Trade Offices around the world, will also conduct roundtable forums under the theme of FOs in major cities.

Following the success last year, FSTB and InvestHK organised the second Wealth for Good in Hong Kong Summit on 27 March 2024, an exclusive event for global FOs. Themed "Growing with Certainty Amid Growing Uncertainty", the Summit brought together influential FOs from around the world to engage with the industry, asset owners and wealth successors to explore investment opportunities and effective wealth management amid the volatile global economic climate, as well as showcasing Hong Kong's long-standing vision as a leading hub for FOs and international asset and wealth management.

InvestHK's dedicated team will continue to strengthen its publicity efforts to promote Hong Kong as a global FO hub. The dedicated team comprises 17 posts, including 1 global head, 1 deputy global head, 6 senior vice presidents, 2 vice presidents, 1 senior executive manager, and 6 Mainland or overseas regional heads. The estimated expenditure in 2023-24 is about \$51.2 million.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)055****(Question Serial No. 2094)**

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 36 of the Budget Speech that the Government has already taken the first step by putting in place user-friendly re-domiciliation mechanisms for open-ended fund companies and limited partnership funds to attract existing foreign funds to establish and operate in Hong Kong. In this connection, will the Government inform this Committee:

- 1) of the respective number of open-ended fund companies and limited partnership funds established/registered in Hong Kong in each of the past 5 years (i.e. 2019-20 to 2023-24), with a breakdown by type of investment;
- 2) of the progress of enhancing tax concession measures applicable to funds and carried interest; and
- 3) given that open-ended fund companies and limited partnership funds are considered permissible financial assets under the new Capital Investment Entrant Scheme, whether restrictions on investment types and regions will be imposed on the shortlisted funds; if so, of the details; if not, of the reasons?

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

Reply:

- (1) The number of open-ended fund companies (OFC) and limited partnership funds (LPF) set up/registered in Hong Kong in the past 5 financial years are tabulated below -

	2019-20	2020-21	2021-22	2022-23	2023-24
OFC	3	10	49	69	171
LPF ¹	-	171	287	155	203

¹ The LPF regime has commenced operation since 31 August 2020.

The Securities and Futures Commission (SFC) and the Companies Registry (CR) do not have data on the investment categories of OFCs and LPFs. Meanwhile, according to the SFC's understanding, OFCs have a diversified investment portfolio which covers global equities and bonds. Apart from traditional sectors, OFCs also invest in emerging sectors such as technology, environmental protection, healthcare, artificial intelligence, etc. As for LPFs, according to the proposed investment scope as stated in the LPF application forms submitted to CR, LPF's investments generally include shares, bonds, notes and other securities issued by private companies, covering property development and technology development, etc.

- (2) The 2024-25 Budget has announced that the Government will further enhance the preferential tax regimes for funds, single family offices and carried interest, including reviewing the scope of the tax concession regimes, increasing the types of qualifying transactions and enhancing flexibility in handling incidental transactions, to attract more funds and family offices with potential to establish a presence in Hong Kong. The Government will consult the industry and prepare specific enhancement proposals.
- (3) The scope of permissible investment assets under the New Capital Investment Entrant Scheme (New Scheme) has been significantly expanded as compared to the original Capital Investment Entrant Scheme, covering both OFCs and LPFs as permissible financial assets. There are no restrictions on the types and location of underlying investments of OFCs and LPFs under the New Scheme, thereby providing more diversified investment options for applicants and benefitting the fund management sector.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)056

(Question Serial No. 2095)

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 36 of the Budget Speech that the Government will, in the first half of 2024, submit a legislative proposal enabling companies domiciled overseas, especially enterprises with a business focus in the Asia-Pacific region, to re-domicile in Hong Kong. In this connection, will the Government inform this Committee of:

- 1) the major views and interests of key stakeholders on the re-domiciliation mechanism;
- 2) the legislative direction for the re-domiciliation mechanism, including the proposed scope of application and the mechanisms in place to ensure that the applicant companies are reputable; and
- 3) the promotion plan for the re-domiciliation mechanism and the staff establishment and estimated expenditure to be involved; the collaborations with relevant foreign chambers of commerce; and whether the Government will leverage the Economic and Trade Offices to tell foreign enterprises the good stories of Hong Kong; if so, of the details; if not, of the reasons?

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

Reply:

(1) and (2)

Under the unique advantage of “One Country Two Systems”, 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 domicile to Asia.

The market, especially the insurance sector, has demonstrated interest and demand for re-domiciliation to Hong Kong. Taking into account that a number of commercial centres have already put in place company re-domiciliation regimes, and that the re-domiciliation mechanisms for Open-ended Fund Companies and Limited Partnership Funds have been operating smoothly since their launch in November 2021, we consider that Hong Kong is well-positioned to respond to the needs of the market by introducing a company re-domiciliation regime.

In 2023, we carried out a public consultation on the proposed company re-domiciliation regime, during which we reached out to various stakeholders including business chambers, professional associations and relevant advisory bodies to collect their views. We also consulted the Legislative Council Panel on Financial Affairs. Stakeholders are supportive of the introduction of the company re-domiciliation regime in Hong Kong, considering that it would facilitate non-Hong Kong companies' re-domiciliation to Hong Kong, enabling them to benefit directly from our robust market environment as well as clear and transparent regulatory regime. We are following up on the views concerning matters such as the application eligibility and process of the proposed re-domiciliation regime and its impact on company operation as raised by stakeholders including the Hong Kong Federation of Insurers for incorporation into the legislative proposal as appropriate with a view to making the re-domiciliation procedures more clear and user-friendly. Specifically, the proposed company re-domiciliation regime will be applicable to companies of which the original domicile allows outward re-domiciliation. The regime will not specify business natures nor impose economic substance test on the applying companies. A company applying for re-domiciliation to Hong Kong should also fulfil requirements in relation to integrity, member and creditor protection, and solvency so as to ensure that the company will not be used for unlawful purposes, contrary to public interest.

We plan to introduce the Bill in the first half of this year.

- (3) After the implementation of the companies re-domiciliation regime, we will collaborate with InvestHK and the Hong Kong Exchanges and Clearing Limited to reach out to major Hong Kong listed companies domiciled overseas and encourage them to re-domicile to Hong Kong. The Economic and Trade Offices will in parallel promote and introduce the re-domiciliation regime to foreign enterprises. The expenditure involved in the above work within the Financial Services Branch will be absorbed by existing resources.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2096)

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 144 of the Budget Speech, the Cross-boundary Wealth Management Connect (WMC) Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area has seen continuous and steady development. "WMC 2.0" has been officially launched, introducing such enhancement measures as increasing the individual investor quota to RMB 3 million and lowering the threshold for participating in the Southbound Scheme. In this connection, would the Government provide this Committee with the following information about the WMC Scheme since its launch in September 2021:

- 1) a breakdown of the number of individual investors each month by type (i.e. Hong Kong and Macao investors as well as Mainland investors) from 2021 to 2023;
- 2) a breakdown of the market value of investment products held by individual investors (i.e. the market value of Mainland investment products held by individual investors in Hong Kong and Macao and the market value of Hong Kong and Macao investment products held by individual investors in the Mainland) each month by product type from 2021 to 2023;
- 3) the amount of cross-boundary remittance each year from 2021 to 2023; and
- 4) the respective usage of the aggregate quota under the Southbound Scheme and the Northbound Scheme each year from 2021 to 2023?

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

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.

WMC has seen continuous and steady development since its launch in September 2021. “WMC 2.0” commenced on 26 February 2024. Enhancement measures include increasing the individual investor quota from RMB 1 million to RMB 3 million, lowering the threshold for participating in the Southbound Scheme to support more GBA residents to participate in the scheme, expanding the scope of participating institutions to include eligible securities firms, expanding the scope of eligible investment products, and further enhancing the promotion and sales arrangements.

According to the statistics published by the People’s Bank of China (PBOC), as of end-February 2024:

- (1) Over 73 000 individual investors in the GBA, including around 46 300 investors from Hong Kong and Macao and around 27 100 investors from the Mainland, participated in WMC.
- (2) The market value of investment products held by individual investors participating in WMC is set out in the following table:

	Market value (RMB million)
Investment products of Hong Kong and Macao held by Mainland investors	5,641
• Funds	52
• Bonds	8
• Deposits	5,581
Mainland investment products held by Hong Kong and Macao investors	198
• Wealth management products	122
• Funds	76
Total	5,839

- (3) The statistics of WMC cross-boundary fund remittances are set out in the following table:

	Number of transactions
Approximate number of WMC cross-boundary fund remittances	49 200
• Between the Mainland and Hong Kong	40 300
• Between the Mainland and Macao	8 900
	Amount (RMB million)
Amount of WMC cross-boundary fund remittances	15,283
• Between the Mainland and Hong Kong	14,664
• Between the Mainland and Macao	619

The monthly statistics of the number of individual investors, amount of outstanding investment products and cross-boundary fund remittances under WMC since its launch are available on the webpage of the PBOC Guangdong Provincial Branch (Chinese only)

- <http://guangzhou.pbc.gov.cn/guangzhou/129196/4332364/4332376/index.html>

- (4) The aggregate quota usage (calculated on a net remittance basis) was around RMB 238 million and RMB 5.548 billion under the Northbound and Southbound Schemes respectively.

The PBOC Guangdong Provincial Branch also publishes daily updates on WMC quota usage, and the relevant statistics are available on its webpage (Chinese only) –

<http://guangzhou.pbc.gov.cn/guangzhou/129196/4332364/4332372/4332394/index.html>

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)058

(Question Serial No. 2097)

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 143 of the Budget Speech that in 2024-25 the Government will issue \$120 billion worth of bond, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond, and \$20 billion worth of green bonds and infrastructure bonds. In this connection, please provide this Committee with the following information:

- 1) The total proceeds raised from the issuance of government bonds in each of the past 3 years (2021-22 to 2023-24) with a breakdown by types of bonds.
- 2) A table listing the projects funded by the proceeds raised from the issuance of government bonds in the past 3 years (2021-22 to 2023-24). Will the Government review the selection criteria for the projects to be funded by the proceeds in a timely manner so that other market players can also be benefitted? If so, what are the details? If not, what are the reasons?
- 3) It is mentioned in paragraph 241 of the Budget Speech that the Government plans to issue bonds of about \$95 billion to \$135 billion per annum in the next five years to drive the development of the Northern Metropolis and other infrastructure projects. What is the currency mix of the \$120 billion worth of bond to be issued by the Government in 2024-25 and the rationale for the mix? Is the \$120 billion included in the annual bond issuance of \$95 billion to \$135 billion?

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

Reply:

- (1) The Government issued government bonds under the Government Bond Programme (GBP) and Government Green Bond Programme (GGBP) over the past 3 financial years (2021-22 to 2023-24), with respective issuance sizes as follows –

	GBP	GGBP
Financial Year	Issuance Size (HK\$ million)	Issuance Size (HK\$ million)
2021-22	70,000	29,255
2022-23	70,500	66,131
2023-24	82,000	72,609

(2) and (3)

All proceeds raised under the GBP are credited to the Bond Fund. The Bond Fund does not form part of the fiscal reserves and is managed separately from other Government accounts. It is placed with the Exchange Fund for investment and attracts investment income on the basis of the “fixed rate” sharing arrangement applicable to the fiscal reserves.

GGBP covers the 9 eligible categories under the Green Bond Framework (Framework), namely renewable energy; energy efficiency and conservation; pollution prevention and control; waste management and resource recovery; water and wastewater management; nature conservation/biodiversity; clean transportation; green buildings; and climate change adaptation. The Government obtains an issuance level (pre-issuance) external review from an independent, qualified third party for each bond issued under the Framework. The Government also publishes a Green Bond Report on an annual basis to provide information on the allocation of bond proceeds and the expected environmental benefits of the projects financed, with a qualified third party engaged to validate the contents of the Report. The latest Green Bond Report was released in August 2023.

The Government announced in the 2023-24 Budget, the proposal to expand the scope of the GGBP, which will be renamed as the Government Sustainable Bond Programme (GSBP), to cover sustainable finance projects and take forward the Infrastructure Bond Programme (IBP) to raise capital for infrastructure projects, thereby facilitating the early completion of projects for the good of the economy and people’s livelihood. All proceeds raised under the GSBP and the IBP will be credited to the Capital Works Reserve Fund (CWRP) for funding eligible projects supported by the CWRP. The Government plans to issue \$120 billion worth of bonds under the GSBP and the IBP in 2024-25, under the plan to issue bonds of about \$95 billion to \$135 billion per annum in the next five years (i.e. 2024-25 to 2028-29).

The IBP will cover projects under the Government’s capital works programme of the CWRP (except for those included or expected to be included in the GSBP), including projects under major infrastructure initiatives such as the Northern Metropolis. The GSBP covers the 9 eligible categories under the Framework as mentioned above. Regarding sustainable projects, it is commonly accepted in the international capital markets that the concept of sustainable finance covers the financing of green projects and social projects, as well as financial instruments with the interest rates linked to the overall sustainability performance of the issuer. When allocating the bond proceeds to individual sustainable projects covered by the CWRP, the Government will ensure a proper allocation by making reference to the latest relevant international standards and principles, as well as the Government’s environmental policies and targets.

A Steering Committee chaired by the Financial Secretary will be responsible for the implementation and monitoring of the IBP and the GSBP. Members include the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, the Development Bureau and the Hong Kong Monetary Authority.

The bond issuance amount and currency type under the two programmes and the individual projects supported by the bond proceeds will be determined taking account of the actual market conditions at the time of arranging the bond issuance, and will be subject to approval of the Steering Committee.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)059****(Question Serial No. 2098)**

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 stock market, will the Government inform this Committee of:

- 1) the number of newly listed companies on the Main Board and GEM, and the respective numbers of companies with weighted voting rights structure, biotech companies listed under Chapter 18A, special purpose acquisition companies listed under Chapter 18B, specialist technology companies listed under Chapter 18C, secondary listing companies in Hong Kong, and companies which transferred their listing from GEM to the Main Board in the past 3 years (2021-22 to 2023-24); and
- 2) the amounts of funds raised by listed companies through initial public offerings by region and their respective percentages in the total amount of funds raised in the past 3 years (2021-22 to 2023-24)?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 19)

Reply:

- (1) The number of newly listed companies (including listings in accordance with different chapters of the Listing Rules and transfer of listings from GEM to Main Board) on the Main Board and GEM in the past 3 years are set out in the table below:

Year	2021	2022	2023
Total number of newly listed companies in the Main Board	97	90	73
- Companies with weighted voting rights structures listed in accordance with Chapter 8A ¹	9	6	2
- Biotechnology companies listed in accordance with Chapter 18A	20	8	7
- Special Purpose Acquisition Companies listed in accordance with Chapter 18B	0	5	0

Year	2021	2022	2023
- Overseas issuers secondary listed in accordance with Chapter 19C ¹	5	4	0
- Transfer of listings from GEM to Main Board	2	1	3
Total number of newly listed companies in GEM	1	0	0

¹ Including 3 companies and 2 companies which were listed in accordance with both Chapter 8A and Chapter 19C of the Listing Rules in 2021 and 2022 respectively.

The listing regime for specialist technology companies (Chapter 18C of the Listing Rules) was implemented in March 2023. HKEX has received 2 relevant listing applications, and maintained communication with a number of interested potential enterprises. As of end-February 2024, no issuer was listed through the regime.

- (2) The statistics of funds raised through initial public offerings by company jurisdiction are set out in the table below:

Year	2021	2022	2023
Mainland enterprises			
IPO funds raised (billion dollars)	324.2	96.3	41.6
Percentage of total funds raised	97.8%	92%	89.9%
Hong Kong enterprises			
IPO funds raised (billion dollars)	5.4	5.8	0.5
Percentage of total funds raised	1.6%	5.6%	1.1%
Enterprises from other jurisdictions			
IPO funds raised (billion dollars)	1.8	2.5	4.2
Percentage of total funds raised	0.5%	2.4%	9.1%

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2099)

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 46 of the Budget Speech that the Hong Kong Exchanges and Clearing Limited has consulted the market on such initiatives as introducing a treasury share buy-back regime and maintaining trading operations under severe weather. Both are targeted for implementation in the middle of the year. In this connection, will the Government advise this Committee:

- 1) of the general market views on the initiatives to introduce a treasury share buy-back regime and to maintain trading operations under severe weather; and
- 2) of the progress of the above two initiatives, the direction in which they are intended to follow, and the expected results?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 20)

Reply:

The consolidated reply to the two parts of the question is as follows.

To provide greater flexibility for listed issuers to manage their capital and cash flow, which would enhance the market's competitiveness and appeal to both issuers and investors, Hong Kong Exchanges and Clearing Limited (HKEX) launched a market consultation on introducing a treasury share regime in October 2023. HKEX recommended amending the Listing Rules to remove the requirement to cancel repurchased shares so that issuers may hold repurchased shares in treasury subject to the laws of their places of incorporation and their constitutional documents and allow the resale of treasury shares in accordance with the regulatory framework for the issuance of new shares. Besides, HKEX recommends introducing appropriate safeguards, including requiring issuers (being holders of treasury shares) to abstain from voting on matters that require shareholders' approval under the Listing Rules, requiring an issuer to disclose in the explanatory statement its intention as to whether

any shares to be repurchased will be cancelled or kept as treasury shares, and impose additional restrictions on the resale of treasury shares, to maintain fairness and transparency in the trading of relevant issuers' shares, ensure minority shareholders will receive consistent and fair treatment, and reduce the risk of stock market manipulation and insider trading. The consultation ended in December 2023. HKEX expects to publish the consultation conclusions in the first half of this year and finalise the way forward.

As an international financial centre, Hong Kong's securities market is deeply integrated with markets and investors around the globe. To enhance the competitiveness of the Hong Kong stock market and promote our securities market to overseas markets and capital sources, HKEX is exploring arrangements for maintaining normal market operation under severe weather. The main purpose of the initiative is to facilitate global investors to continue trading Hong Kong stocks and derivatives as well as Mainland A-shares through Northbound trading of Stock Connect without being affected by the adverse local weather conditions in Hong Kong, and to continue adjusting their investment and risk management strategies in response to changing market and company-specific fundamentals. The arrangements will further consolidate Hong Kong's role as the two-way gateway and bridge for international and Mainland investors and capital. It will also facilitate deepening the connection between Hong Kong and global markets to develop a more diverse range of products, enhancing the attractiveness of Hong Kong's market to domestic and foreign investors.

HKEX conducted a public consultation from November 2023 to January 2024 on the proposed model and relevant arrangements for operating the Hong Kong securities and derivatives markets under severe weather, covering details on trading and settlement, share registration, banking services, transfer arrangements and other necessary support, etc. HKEX is studying the feedback received, and targets to publish the consultation conclusions in the middle of this year to respond to the views expressed by the market thoroughly and announce relevant implementation details. The arrangements will be implemented when the market is ready.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2100)

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 95 of the Budget Speech that the Government will expand the scope of e-CNY pilot testing in Hong Kong. Members of the public may set up e-CNY wallets easily for use and for topping up funds by the Faster Payment System (FPS), thereby further enhancing the efficiency and user experience of cross-boundary payment services. In this connection, please advise this Committee on the following:

- 1) the effectiveness of e-CNY pilot testing in Hong Kong in the past;
- 2) the scope of the proposed expansion of e-CNY pilot testing;
- 3) the number of people who have set up e-CNY wallets for use at present;
- 4) the numbers of registered FPS users in each of the years since the introduction of FPS in 2018 and the year-on-year changes;
- 5) the numbers of FPS transactions involving cross-boundary payments and non-cross-boundary payments in each of the years since the introduction of FPS in 2018 and the year-on-year changes; and
- 6) the numbers of FPS transactions conducted in Hong Kong dollars and in Renminbi respectively in each of the years since the introduction of FPS in 2018 and the year-on-year changes.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 21)

Reply:

(1), (2) and (3)

The People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) have been working closely to press ahead the preparatory work on using e-CNY for cross-boundary payment. In early 2024, 4 e-CNY operating institutions and 18 banks in Hong Kong completed a drill in Hong Kong smoothly, involving topping up e-CNY wallets via the Faster Payment System (FPS) and making merchant payments via e-CNY wallets. Merchants

participating in the drill included retail chains, restaurants, supermarkets, etc. The overall technical operation was smooth.

At present, e-CNY has not been officially launched in Hong Kong, hence relevant figures on users and usage are currently not available. The HKMA and the PBoC will continue to enhance the cross-boundary pilot outcome of e-CNY by expanding the scope of e-CNY pilot testing, supporting more institutions and merchants to participate in the pilot testing as well as covering more use cases of cross-boundary payment. By then, more residents may set up e-CNY wallets easily for use and for topping up funds by the FPS, thereby further enhancing the efficiency and user experience of cross-boundary payment services. The use of e-CNY will provide residents of the two places with another safe, convenient and innovative option for cross-boundary retail consumption. When e-CNY is officially launched in future, we will actively promote the local merchants to accept e-CNY as a payment means. The HKMA will announce the details in due course.

Hong Kong has a well-developed e-payment ecosystem with a number of non-cash payment options available to the public. At present, major QR code e-wallets in the market could support the cross-boundary payment needs of both Mainland and Hong Kong users. Regarding payment by Mainland users in Hong Kong, the two common e-wallet operators (Alipay and WeChat Pay) each have more than 150 000 Hong Kong retail merchants accepting its Mainland version of the e-wallet. Retail shops and restaurants located in large shopping malls and tourist areas are covered. As for payment by Hong Kong people in the Mainland, major e-wallets and retail payment operators in Hong Kong, including Octopus, AlipayHK, WeChat Pay HK and UnionPay, have provided cross-boundary retail payment services to Hong Kong users.

(4), (5) and (6)

The number of FPS account registrations, as well as the number of real-time payment transactions in Hong Kong dollar and Renminbi conducted in Hong Kong are at **Annex**. The FPS x PromptPay project was launched on 4 December 2023. Relevant figures on cross-border FPS payments are currently not available.

Statistics on Faster Payment System (FPS)

Year	2018 (Note)	2019	2020	2021	2022	2023	2024 (as at February)
No. of account registrations (Year-on-year % change)	2 032 531 (N/A)	4 020 697 (N/A)	6 878 392 (+71%)	9 620 271 (+40%)	11 476 665 (+19%)	13 603 644 (+19%)	13 989 154 (N/A)
No. of Hong Kong dollar real-time payment transactions (Year-on-year % change)	4 744 035 (N/A)	38 907 523 (N/A)	129 648 250 (+233%)	245 557 634 (+89%)	343 192 668 (+40%)	455 361 335 (+33%)	89 349 912 (N/A)
No. of Renminbi real-time payment transactions (Year-on-year % change)	66 904 (N/A)	302 195 (N/A)	206 274 (-32%)	266 177 (+29%)	342 453 (+29%)	665 603 (+94%)	145 210 (N/A)

Note: From the launch of FPS in September 2018 to December in the same year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)062

(Question Serial No. 3288)

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 137 of the Budget Speech, the Government will extend the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts for 3 years, and set up a task force to discuss with the industry measures for further developing the asset and wealth management industry. In this connection, would the Government inform this Committee of:

- 1) the number of applications and approved applications, as well as the total amount of subsidies provided under the Scheme so far;
- 2) the estimated amount of subsidies to be provided under the Scheme for the next 3 years; and
- 3) the progress in setting up the task force, as well as its composition, number of members, scope of discussion and specific timetable.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 44)

Reply:

- (1) To further attract the set-up of open-ended fund companies (OFCs) and real estate investment trusts (REITs) in Hong Kong, the Government and the Securities and Futures Commission (SFC) launched the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) in 2021 to provide funding support for OFCs set up or re-domiciled to Hong Kong and REITs listed in Hong Kong to pay the eligible expenses charged by Hong Kong-based professional service providers. As of end-March 2024, the SFC has approved 211 OFC and 1 REIT applications. A total of \$117.8 million has been granted.

- (2) Since the introduction of the Grant Scheme, the number of OFCs registered in Hong Kong has increased substantially from 14 in May 2021 to 302 in March 2024. The Grant Scheme has effectively promoted the fund industry's development and has been generally well-received by the industry. In this light, the 2024-25 Budget has announced the extension of the Grant Scheme for 3 years to 2027 with existing resources to strengthen the development of OFCs and REITs in Hong Kong, with an estimated annual expenditure is around \$100 million.
- (3) The Government will set up a task force to discuss with the industry measures for further developing the asset and wealth management industry. Membership would cover relevant Government departments, financial regulators and practitioners of the financial services industry. Details will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2584)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget Speech, the Hong Kong Investment Corporation Limited (HKIC) will implement the first batch of direct investment and co-investment projects in the first half of this year. In this connection, would the Government inform this Committee of the following:

1. Over the past year, what progress has been made in forming a management team for the HKIC? What projects have been implemented? How many board meetings have been held?
2. What is the breakdown of its operating expenses over the past year. What are the estimated operating expenses for each of the coming years?
3. Over the past year, how many investment proposals has the HKIC received? How many investment projects are expected to be implemented this year?
4. As indicated on 4 March 2024, the website of the HKIC is still under development, with no detailed information available. Building a website for the HKIC is indeed fundamental to attracting more innovation and technology companies to establish a presence in Hong Kong. What is the progress of setting up the website? What is the specific timetable for completion of the work?

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 2)

Reply:

Since the setup of its Board of Directors (Board) of the Hong Kong Investment Corporation Limited (HKIC) in February 2023, the Board has convened 6 meetings, of which matters such as the organisational structure, operational expenditure budgets, manpower arrangements, investment strategies, as well as an array administrative matters including publicity work,

were confirmed. The HKIC regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official background from the business, finance and academic sectors. The Board will approve the company structure, as well as its governance, manpower and administration arrangements based on the actual operational needs of HKIC. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channelling capital and leveraging market resources, the HKIC will attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The first batch of direct investment and co-investment projects will be implemented in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries. The HKIC will also encourage enterprises in its investment portfolio to engage more actively in local, Mainland and overseas I&T networks, where they can explore more application and development opportunities, while identifying potential investors and their target clientele.

Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)064

(Question Serial No. 2588)

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 the 2023 Policy Address delivered in last October, the Chief Executive John Lee mentioned the development of “headquarters economy” in Hong Kong. It is therefore expected that a response would be given in this year’s Budget. In paragraph 147 of the Budget Speech, it is stated that “To bolster the competitiveness and advantages of the financial services industry in Hong Kong, the Government will earmark \$100 million to promote the sustainable development of financial services. This includes green and sustainable finance, fintech, asset and wealth management, headquarters business, and risk management etc.”

- (1) Does the “headquarters business” mentioned in paragraph 147 of the speech refer to “headquarters economy”?
- (2) If so, of the \$100 million of funding mentioned above, how much will be allocated to support Hong Kong’s “headquarters business”? What does headquarters business refer to specifically?
- (3) If not, will there be a dedicated provision to support the development of headquarters economy in Hong Kong?

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 6)

Reply:

- (1) “Headquarters business” refers to supporting the development of businesses for headquarters economy in Hong Kong.
- (2) and (3)

The 2023 Policy Address announced that the Government would develop “headquarters economy” to attract enterprises from outside Hong Kong to set up headquarters and/or corporate divisions in Hong Kong, thus bringing in quality enterprises to explore the immense opportunities brought about by the national and international dual circulation,

and facilitating foreign enterprises to tap into the Mainland market while assisting Mainland enterprises in their expansion abroad.

The \$100 million earmarked for promoting the sustainable development of financial services will cover supporting the development of businesses for headquarters economy in Hong Kong as one of the key development areas. We hope to attract strategic enterprises from the Mainland and around the world (e.g. those in the biotechnology, financial technology, artificial intelligence and data science, or advanced manufacturing and new energy technology industries, etc.) to establish their operations in Hong Kong. As the next step for attracting Mainland enterprises, we will explore with the relevant Central authorities measures to facilitate relevant enterprises in setting up headquarters and/or corporate divisions in Hong Kong. We will acquire a detailed understanding of their needs and listen to their views, including any need for arrangements for investments relating to capital account. Detailed measures will be announced in a timely manner once they are ready for implementation. Actual funding allocation will be suitably made on the basis of the requirements of the measures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)065

(Question Serial No. 3041)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 46 of the Budget, the Government is actively implementing the measures proposed by the Task Force on Enhancing Stock Market Liquidity last October, which include, among other things, maintaining trading operations under severe weather, with the target of implementation in the middle of this year. Please advise on the following:

1. In order to maintain the operation of the stock market under severe weather, how many employees will be expected to return to work at their workplaces/offices? What is the percentage share of these employees in the total number of employees in the sector who are normally working at that time?
2. If the proposal on “maintaining trading operations under severe weather” is implemented, how can the safety of employees commuting to and from work under severe weather be ensured?

Asked by: Hon KWOK Wai-keung (LegCo internal reference no.: 38)

Reply:

As an international financial centre, Hong Kong's securities market is deeply integrated with markets and investors around the globe. To enhance the competitiveness of the Hong Kong stock market and promote our securities market to overseas markets and capital sources, Hong Kong Exchanges and Clearing Limited (HKEX) is exploring arrangements for maintaining normal market operation under severe weather. The main purpose of the initiative is to facilitate global investors to continue trading Hong Kong stocks and derivatives as well as Mainland A-shares through Northbound trading of Stock Connect without being affected by the adverse local weather conditions in Hong Kong, and to adjust their investment and risk management strategies in response to changing market fundamentals and company-specific factors. The arrangements will further consolidate Hong Kong's role as the two-way gateway and bridge for international and Mainland investors and capital. It will also

facilitate deepening the connection between Hong Kong and global markets to develop a more diverse range of products, enhancing the attractiveness of Hong Kong's market to domestic and foreign investors.

HKEX conducted a public consultation from November 2023 to January 2024 on the proposed model and relevant arrangements for operating the Hong Kong securities and derivatives markets under severe weather, covering details on trading and settlement, share registration, banking services, transfer arrangements and other necessary support, etc. With technological advancement and the continuous improvement of business continuity plans by financial institutions during the pandemic, most trading operations should be able to be conducted electronically and remotely, and HKEX does not recommend provision of services via physical outlets under severe weather. HKEX is studying the feedback received, and targets to publish the consultation conclusions in the middle of this year to respond to the views expressed by the market thoroughly and announce relevant implementation details. The arrangements will be implemented when the market is ready.

Subject to the implementation arrangements to be announced by HKEX, if individual financial institutions require employees to return to the workplace under severe weather due to operational needs, employers should, making reference to the guidelines compiled by the Labour Department, make preparations and discuss with relevant employees as early as possible and take effective measures to ensure that employees are informed of and agree to the arrangements. If conditions permit, employers should consider making arrangements for relevant employees to arrive in the workplace before adverse weather warnings are issued to avoid requiring them to return to the workplace during such conditions. Employers must also develop training programmes to educate employees about the hazards and relevant safety measures during adverse weather. Employers should accord top priority to the safety of their employees, and fulfill their statutory obligations and comply with provisions under relevant labour legislation, including the Employment Ordinance, Occupational Safety and Health Ordinance, Employees' Compensation Ordinance, etc. To assist employers in the securities industry in preparing for these matters, HKEX is preparing relevant guidelines for industry reference, and the Financial Services and the Treasury Bureau will seek advice from the Labour Department.

In view of the different operational models and work arrangements of various financial institutions involved, and the need to consider the industry's readiness for remote working upon announcement of specific arrangements, it would be difficult to estimate the number and proportion of employees who would be required to return to the workplace at this stage.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)066

(Question Serial No. 0838)

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 Hong Kong Exchanges and Clearing Limited (HKEX) strengthens the promotion of Hong Kong's securities market and deepens connectivity with the Middle East and ASEAN countries to attract more issuers and capital. Has the Government proactively collaborated with the HKEX? If so, what are the details of the relevant funding and policies?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 10)

Reply:

As a leading international fundraising centre, the Government, Hong Kong Exchanges and Clearing Limited (HKEX) and the Securities and Futures Commission (SFC) are committed to strengthening the breadth and depth of the Hong Kong fundraising platform, so as to attract different types of enterprises as well as investors from the Mainland and overseas to participate in investment and fundraising activities in Hong Kong.

To promote the unique advantages of Hong Kong's capital market abroad, the Government has been utilising various channels for publicising Hong Kong's good image internationally and connecting with overseas enterprises. In this regard, the Chief Executive led a delegation to various countries in the Middle East and South East Asia in February and July 2023 respectively to promote Hong Kong's advantages in different areas including finance and trade as well as the immense opportunities under "one country, two systems". The Financial Secretary visited Europe and the US in September and November 2023 respectively to showcase the new advantages of Hong Kong and the new business opportunities that Hong Kong provides, with a view to strengthening bilateral economic ties and mutual co-operation. The Secretary for Financial Services and the Treasury also visited Belgium and the UK in April 2023 to promote the unique advantages of Hong Kong's financial services industry. The Government will continue to strengthen external promotion efforts in the coming year to promote the latest developments and opportunities of the various financial services sectors (including the securities market) in Hong Kong.

In order to further promote Hong Kong's securities market and fundraising platform to overseas enterprises and capital, HKEX is preparing for various major promotion activities in the coming year, including jointly organising different thematic flagship summits and events with organisations in the Middle East and Southeast Asia. It aims to strengthen the connection between Hong Kong and overseas markets as well as explore how to leverage Hong Kong's capital market to support research and development and commercialisation for enterprises, with a view to generating more interest from issuers and capital in the Hong Kong market. HKEX will also continue to participate in different outreach activities, expanding the coverage of enterprises and introducing in detail the advantages of Hong Kong's listing platform through thematic speeches, forum exchanges, and roadshow events. Further to the listing of an Exchange-traded Fund (ETF), which tracks the market in the Middle East, on HKEX for the first time at the end of last year, we will also strive to open up new capital sources, including taking forward the listing of an ETF in the Middle East that tracks Hong Kong stock indices. The Hong Kong Monetary Authority is working with a number of financial institutions on the matter. The Government will coordinate the relevant promotion work with existing resources. No additional expenditure will be involved.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0839)

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 has instructed the Hong Kong Monetary Authority (HKMA) to maintain close communication with banks and the commercial sectors, adopt an accommodating manner to help enterprises tide over their liquidity needs, and refrain from demanding repayment of loans due to a fall in collateral value. Do the Government and the HKMA have more concrete policies and measures?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 11)

Reply:

The Hong Kong Monetary Authority (HKMA) has been paying close attention to banks' lending to the commercial and industrial sectors. During the pandemic, the HKMA and the Banking Sector SME Lending Coordination Mechanism launched the Pre-approved Principal Payment Holiday Scheme (the Scheme) in May 2020 to support corporates. An orderly exit from the Scheme commenced at the end of July 2023, with the focus of the Scheme moving from tiding corporates over the pandemic to facilitating their return to normal repayment. Corporates that are eligible customers under the Scheme can opt for a partial principal repayment option that best suits their own circumstances. For corporates which are not financially able to transition to partial principal repayment, banks will continue to offer principal moratorium on a case-by-case basis. The HKMA has called on banks to be sympathetic in handling the funding needs of corporates which did not participate in the Scheme but are still facing cash flow pressure due to individual reasons, subject to prudent risk-management principles. For example, banks can consider the partial principal repayment arrangement under the Scheme as a reference for providing suitable credit relief to these corporate customers.

To provide further assistance to small and medium-sized enterprises in obtaining financing from banks and to support their continuous development, the HKMA together with the Banking Sector SME Lending Coordination Mechanism announced in March 2024 the

introduction of 9 measures. These include the commitment from banks to follow the guidance issued by the HKMA in December 2023 in not demanding early repayments from mortgage borrowers who make mortgage payments on schedule, even if the prices of the mortgaged properties decrease. Moreover, for corporates with credit facilities that are backed by properties as collateral, banks will take into account these corporates' credit demand, overall financial position and repayment ability when performing periodic credit reviews, and will not adjust a credit limit merely due to a decline in the collateral value. In the event that banks decide to adjust borrowers' credit limit, banks will give at least 6 months for the customer to transition to the new credit limit, provided that the customer has been making payments on schedule and has not breached any loan covenant. For corporates facing challenges in their operations, banks will be sympathetic in providing suitable credit relief subject to prudent risk-management principles, including making reference to the principal moratorium arrangement under the Scheme in offering loan restructuring to ease customers' cash-flow pressure.

The HKMA will continue to maintain communication with the banking and commercial sectors to understand the funding needs of corporates and strengthen support for their continuous development.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0840)

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 repeatedly in the Budget that different types of seminars at the international level, including those on start-up, finance, family office, the Belt and Road, and so on, will be hosted to support community exchanges and ties. Would it be possible for the Government to set up a fund for providing subsidies to local community organisations on a dollar-for-dollar matching basis for organising forums at the international level in Hong Kong, with a view to promoting community exchanges on a global scale through such activities?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 12)

Reply:

The Government has been sparing no effort in promoting the organisation of international financial mega events in Hong Kong to demonstrate to the world the unique advantages of Hong Kong's financial industry and attract global enterprises, talents and capital, with a view to reinforcing and enhancing Hong Kong's status as an international financial centre. Top-tier international summits and forums conducted/to be conducted in Hong Kong include –

- (i) Hong Kong FinTech Week: The 8th Hong Kong FinTech Week took place from 30 October to 5 November 2023, bringing together global leaders and world-leading Fintech innovations to explore the future development of Fintech through 6 key themes - global regulations and focuses such as sustainable and green finance; funding and venture capital as well as family office investments; exploring the realms of artificial intelligence (AI), Web3 and emerging frontiers; unveiling the latest opportunities within the dynamic Greater Bay Area; Hong Kong's innovation journey; and business showcases;
- (ii) Global Financial Leaders' Investment Summit: The Global Financial Leaders' Investment Summit, organised by the Hong Kong Monetary Authority, was held from 6

to 8 November 2023, bringing together international and regional leaders from global financial institutions. Under the theme of “Living with Complexity”, trends and changes reshaping the global financial industry were discussed;

- (iii) Asian Financial Forum: The 17th Asian Financial Forum was held from 24 to 25 January 2024. Themed “Multilateral Cooperation for a Shared Tomorrow” and in line with our country’s initiative to promote global development for mutual benefits, the Forum converged different quarters from around the world to join hands in exploring strategies for sustainable economic development as well as multilateral co-operation opportunities; and
- (iv) Wealth for Good in Hong Kong Summit: The second edition of Wealth for Good in Hong Kong Summit, a top-level exclusive event for global family offices, was held on 27 March 2024. Themed “Growing with Certainty Amid Growing Uncertainty”, the Summit focused on Hong Kong’s steady development in the face of external economic challenges, by firmly leveraging its diverse talents and innovative thinking to promote the continued growth of the market and wealth.

Moreover, the Government-subvented Financial Services Development Council (FSDC) is committed to promoting Hong Kong as a premier international financial centre. The FSDC will continue its efforts in showcasing the opportunities and strengths of Hong Kong to the world and fostering the development of Hong Kong’s financial industry, through active participation in local and international large-scale flagship events, conducting meetings for industry exchange, and strengthening collaborations with the Mainland and overseas financial markets.

The Government will continue to support the exchange and connectivity in the financial industry through organising various mega events, and explore relevant measures to facilitate the organisation of activities by the industry. For example, the Financial Services and the Treasury Bureau and Invest Hong Kong were host partners of the One Earth Summit held in Hong Kong on 25 March 2024, which showcased Hong Kong’s important role of leading the development of green and sustainable finance in the region and discussed climate issues of high importance to the financial sector.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0841)

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 and the Securities and Futures Commission will formulate a roadmap and vision statement to assist companies and financial institutions in sustainability reporting and the analysis of relevant data. Will the Government invite the participation of individuals from relevant sectors, such as lawyers and accountants, in studying the matters concerned?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 13)

Reply:

The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards) in June 2023, as the global baseline for corporate disclosure of climate and sustainability-related information. The Government will work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards to align with international standards.

We have set up a working group (working group), which is co-led by the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC), with members comprising financial regulatory authorities and stakeholders (including the Hong Kong Exchanges and Clearing Limited and the Hong Kong Institute of Certified Public Accountants (HKICPA)), to prepare the roadmap. The roadmap will comprise 4 key areas — sustainability reporting, assurance, data and technology, and capacity building. Assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards (Hong Kong Standards) aligned with the ISSB Standards as well as the complementary application and implementation guidance. FSTB published on 25 March this year a vision statement, setting out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. The working group is already engaging with stakeholders to identify the specific circumstances that should be considered for the

development and implementation of the Hong Kong Standards. Our target is to launch the roadmap within 2024, to provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong as well as sufficient time for making preparations and developing readiness for the pragmatic implementation of the Hong Kong Standards.

As a member of the working group, the HKICPA will reflect the views of the accounting sector. We will liaise with the legal sector for views as well.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1747)

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 143 of the Budget Speech that the Government will issue \$120 billion worth of bond in 2024-25, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond, and \$20 billion worth of green bonds and infrastructure bonds. There are views that Hong Kong may consider issuing Renminbi (RMB)-denominated bonds for subscription by investors in the Mainland market. In this connection, will the Government advise this Committee whether it will explore the feasibility of issuing RMB-denominated bonds? If so, what are the details? If not, what are the reasons?

Asked by: Hon LAM Shun-chiu, Dennis (LegCo internal reference no.: 26)

Reply:

The 14th Five-Year Plan acknowledges the significant functions and positioning of Hong Kong in the overall development of the country, including enhancing its status as an international financial centre and strengthening its functions as a global offshore Renminbi (RMB) business hub. As a leading offshore RMB hub, Hong Kong will continue to take the lead in RMB fund management and investment in the international market, and contribute to the internationalisation of RMB. Under the Government Green Bond Programme (to be renamed as the Government Sustainable Bond Programme (GSBP)), the Government has issued multiple tranches of government green bond denominated in RMB since November 2021, with a total issuance amount reaching RMB31.5 billion. Among the issuances, our first 10-year RMB green bond issued in June 2023 has helped extend the offshore RMB yield curve while the RMB tokenised green bond issued in February this year has enriched further offshore RMB product offerings. We will continue to issue government bonds denominated in RMB under the GSBP and the Infrastructure Bond Programme to foster the development of local RMB bond market and formation of a local yield curve, promoting RMB internationalisation in an orderly manner. The issuance parameters (including the issuance amount of RMB bonds) under the two programmes will be drawn up taking account of the actual market conditions at the time of arranging the bond issuance, and will be submitted for

approval by the Steering Committee chaired by the Financial Secretary overseeing the two programmes.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1756)

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 138 of the Budget Speech that attracting global family offices and asset owners to Hong Kong will help bring in more capital and drive ancillary economic activities. In this connection, would the Government inform this Committee of:

- (1) the number of enterprises which came to Hong Kong and set up family offices in the past 3 years;
- (2) the estimated amount of capital to be brought into Hong Kong by family offices this year and the economic activities so generated?

Asked by: Hon LAM Shun-chiu, Dennis (LegCo internal reference no.: 35)

Reply:

According to the research findings of the consultant commissioned by Invest Hong Kong and publicised in March 2024, there were around 2 700 single family offices (FOs) operating in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. The dedicated FamilyOfficeHK team (the dedicated team) of Invest Hong Kong provides one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team has assisted 64 FOs to set up or expand their business in Hong Kong. More than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong.

FO business is an important segment of the asset and wealth management sector. According to the Asset and Wealth Management Activities Survey 2022 published by the Securities and Futures Commission, the size of private banking and private wealth management business attributed to FOs and private trusts clients reached HK\$1,520 billion as of end-2022, providing huge business opportunities for the asset and wealth management sector and other related professional services (such as legal and accounting services).

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)072****(Question Serial No. 0587)**

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 Hong Kong Monetary Authority adjusted the countercyclical macroprudential measures for property mortgage loans in July last year. Please inform this Committee of:

1. the number of first and second mortgages for residential properties provided by developers or non-banking institutions in the past 5 years; and
2. whether the Government has, in the face of an increasing number of residential mortgage loans in negative equity, assessed the risk of those mortgages, as well as the measures to address the situation.

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 9)

Reply:

- (1) To monitor residential mortgage-related risks, the Hong Kong Monetary Authority (HKMA) regularly collects data on residential mortgage loans (RMLs) from banks and has been monitoring the RML situation through different channels. In 2023, banks approved a total of 76 752 RMLs and 577 RMLs involving second mortgages. Detailed figures on RMLs approved by banks in the past five years are set out in the following table:

	As at				
	End-2019	End-2020	End-2021	End-2022	End-2023
All new RMLs approved by banks during the year					
Number	105 102	92 997	121 446	88 957	76 752
Value (HK\$bn)	441.6	430.9	601.0	446.3	375.0

	As at				
	End-2019	End-2020	End-2021	End-2022	End-2023
Of the above, new RMLs involving second mortgages approved by banks during the year					
Number	3 661	1 215	1 476	631	577
Value (HK\$ bn)	18.5	6.7	9.0	3.9	3.1

* As the HKMA only collects data on the amount of RMLs provided by banks on the basis of first mortgages, it does not have data on the overall value of second mortgages.

On RMLs of non-bank institutions, the Companies Registry (CR) regularly collects data from the licensed money lenders in order to monitor the latest developments of the money lending industry. The table below sets out the outstanding RMLs as of the end of each year in 2019 to 2022. CR is now collecting the 2023 data. CR does not maintain statistical breakdown by mortgage category (e.g. first and/or second mortgage) or statistics on newly granted RMLs in each year.

	As at			
	End-2019	End-2020	End-2021	End-2022
RMLs approved by licensed money lenders				
Value (HK\$ bn)	24.0	23.5	21.3	16.1

We do not maintain statistics on RMLs provided by developers.

- (2) As at end-2023, there were 25 200 cases of RMLs in negative equity handled by the banking sector. The majority of these negative equity cases were RMLs under the Mortgage Insurance Programme (MIP), which generally have a higher loan-to-value ratio. The MIP has strict requirements on applicants' repayment ability. An applicant needs to fulfil a maximum debt-to-income ratio of 50%. For borrowers applying for MIP loans with a loan-to-value ratio exceeding 80%, additional eligibility criteria will be stipulated (for example, the applicants must be first-time homebuyers with a regular salary).

Despite the rise in the number of negative equity cases, the asset quality of banks' residential mortgage lending portfolio has remained sound. The overall delinquency ratio of RMLs stood at 0.08% as of end-2023, while the delinquency ratio of RMLs in negative equity was 0.03%. Both figures are far below their peaks in the past. The HKMA will continue to assess the property market conditions and introduce measures to safeguard banking stability as appropriate.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)073

(Question Serial No. 0592)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget Speech, it is expected that the ratio of Government debt to Gross Domestic Product will be in the range of about 9 to 13% from 2024-25 to 2028-29. Please inform this Committee of:

1. whether the Government has estimated the concrete returns of infrastructure bonds and green bonds; and
2. the recurrent revenue and non-recurrent revenue, with a breakdown, to be generated.

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 10)

Reply:

The Government announced in the 2023-24 Budget the proposal to expand the scope of the Government Green Bond Programme (GGBP) to cover sustainable finance projects and take forward the Infrastructure Bond Programme (IBP) to raise capital for infrastructure projects, thereby facilitating the early completion of projects for the good of the economy and people's livelihood. GGBP will be renamed as the Government Sustainable Bond Programme (GSBP), with all proceeds raised under the GSBP and the IBP credited to the Capital Works Reserve Fund (CWRF) for funding eligible projects supported by the CWRF.

On the inherent return of the projects, public infrastructure and sustainable projects usually bring crucial benefits in the form of social, environmental and economic impacts to the community as a whole in, for example, enhancing the competitiveness of Hong Kong, improving our living environment, promoting Hong Kong's transformation into a low-carbon economy, etc. They are thus different from ordinary financial assets and cannot be readily quantified as financial return as such.

Meanwhile, proceeds raised under the two programmes that are pending allocation to finance specific projects or have not yet been spent (e.g. allocation has been made but payment of fees for the projects is not yet due) will remain at the CWRF which, as part of the Operational and Capital Reserves of the fiscal reserves, will be placed with the Exchange Fund. The amount of investment income thus generated will depend on the actual allocation and spending of the bond proceeds as well as the rate of investment return from the Exchange Fund which varies year by year. Subject to actual circumstances, the estimate for the overall investment income of the CWRF in 2024-25 is \$4.296 billion.

As for the interest rate for bond issued under the IBP and the GSBP in the future, it will be determined taking account of the actual market conditions at the time of arranging the bond issuance.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0603)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau (Financial Services Branch) mentioned in the analysis of financial and staffing provision that under the above programme, the provision for 2024-25 is \$15.8 million higher than the revised estimate for 2023-24. This is because additional funding is provided to the Financial Services Development Council (FSDC) for supporting the operation of the Hong Kong Academy for Wealth Legacy and strengthening the FSDC's policy research and market promotion efforts. Would the Government inform this Committee of the following:

1. How many global family offices have established their presence in Hong Kong since the establishment of the Hong Kong Academy for Wealth Legacy? Has the number increased? What is the number of global family offices that the Bureau is in contact with, and how many of them intend to establish a presence in Hong Kong; and
2. How many more global family offices are expected to establish in Hong Kong in the current financial year? What is the amount of capital involved? The number of global family offices in Singapore has apparently increased more than threefold in three years. What is the competitive gap between Hong Kong and Singapore in this area? How many global family offices has Hong Kong lost to other places in the past three years?

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 24)

Reply:

The Government has been actively promoting the development of family office (FO) business in Hong Kong to help the industry seize new business opportunities. The Financial Services and the Treasury Bureau (FSTB) issued the "Policy Statement on Developing Family Office Businesses in Hong Kong" in March 2023 with a view to creating a conducive and competitive environment for the businesses of global FOs and asset owners to thrive in Hong

Kong. A number of measures have already been implemented, including the establishment of the Hong Kong Academy for Wealth Legacy in November 2023 to provide a platform for collaboration, networking, knowledge sharing, and to provide relevant training for the FO sector, asset owners and wealth inheritors, thereby promoting positive financial management values and strengthening the talent pool for FOs.

According to the findings of the consultancy research commissioned by Invest Hong Kong (InvestHK) and publicised in March 2024, there were around 2 700 single FOs in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. To better capitalise on Hong Kong's competitiveness in attracting FOs, with funding support of FSTB, InvestHK set up a dedicated FamilyOfficeHK team (the dedicated team) in 2021 to provide one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment, the dedicated team has received more than 650 enquiries on setting up FOs in Hong Kong, mainly from the Mainland, ASEAN countries, the Middle East, Europe and the Americas. As of end-March 2024, the dedicated team has assisted 64 FOs to set up or expand their business in Hong Kong. Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)075

(Question Serial No. 0604)

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 has taken the first step by putting in place user-friendly fund re-domiciliation mechanisms for Open-ended Fund Companies and Limited Partnership Funds. These mechanisms attract existing foreign funds to establish and operate in Hong Kong. In the first half of 2024, the Government will submit a legislative proposal enabling companies domiciled overseas, especially enterprises with a business focus in the Asia-Pacific region, to re-domicile in Hong Kong. Would the Government inform this Committee of:

1. the relative attractiveness of Hong Kong and how it is manifested in specific policies;
2. the latest figure regarding existing foreign funds attracted to establish and operate in Hong Kong since the Government took the first step to introduce the user-friendly fund re-domiciliation mechanisms in 2021; and
3. whether the Government has assessed the number of enterprises to be attracted to re-domicile in Hong Kong and the number of job opportunities, including those relating to professional services, to be created in Hong Kong after submission of the legislative proposal to introduce a company re-domiciliation mechanism?

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 25)

Reply:

- (1) Under the unique advantage of “One Country Two Systems”, 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 domicile to Asia.

The market, especially the insurance sector, has demonstrated interest and demand for re-domiciliation to Hong Kong. Taking into account that a number of commercial centres have already put in place company re-domiciliation regimes, and that the re-domiciliation mechanisms for Open-ended Fund Companies and Limited Partnership Funds have been operating smoothly since their launch in November 2021, we consider that Hong Kong is well-positioned to respond to the needs of the market by introducing a company re-domiciliation regime.

In 2023, we carried out a public consultation on the proposed company re-domiciliation regime, during which we reached out to various stakeholders including business chambers, professional associations and relevant advisory bodies to collect their views. We also consulted the Legislative Council Panel on Financial Affairs. We are following up on the views concerning matters such as the application eligibility and process of the proposed re-domiciliation regime and its impact on company operation as raised by stakeholders including the Hong Kong Federation of Insurers for incorporation into the legislative proposal as appropriate with a view to making the re-domiciliation procedures more clear and user-friendly. Specifically, the proposed company re-domiciliation regime will be applicable to companies of which the original domicile allows outward re-domiciliation. The regime will not specify business natures nor impose economic substance test on the applying companies. A company applying for re-domiciliation to Hong Kong should also fulfil requirements in relation to integrity, member and creditor protection, and solvency so as to ensure that the company will not be used for unlawful purposes, contrary to public interest.

We plan to introduce the Bill in the first half of this year.

- (2) The re-domiciliation mechanisms for Open-ended Fund Companies and Limited Partnership Funds commence operation since November 2021 to facilitate existing foreign funds to establish and operate in Hong Kong. As at March 2024, 10 funds have re-domiciled to Hong Kong.
- (3) After the implementation of the companies re-domiciliation regime, we will collaborate with InvestHK and the Hong Kong Exchanges and Clearing Limited to reach out to major Hong Kong listed companies domiciled overseas and encourage them to re-domicile to Hong Kong. The Economic and Trade Offices will in parallel promote and introduce the re-domiciliation regime to foreign enterprises.

Attracting companies to re-domicile to Hong Kong will not only bring greater demand for Hong Kong's professional services (such as audit, accounting and legal services), but also create more investment and skilled job opportunities as the re-domiciled companies may move some of their business operations to Hong Kong. For non-Hong Kong companies which are already economically active in Hong Kong, their re-domiciliation to Hong Kong will facilitate their compliance with our high standards on corporate governance and better alignment of the geographical coverage of their business activities with their domicile, as well as enhancing Hong Kong's status as a business hub. Since re-domiciliation is a commercial decision on the part of a company, we are not in a position to make any quantitative estimation on the number of re-domiciled companies and benefits that may be brought to the market.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0526)

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 Hong Kong Monetary Authority (HKMA) has suspended the stress test requirement. However, many people are currently under financial pressure amid a lacklustre economy. Would the Government inform this committee whether it will consider the issue of balance between its attempts to prop up the economy and people's ability to cope with the repayment pressure if stress testing is to be abolished?

Asked by: Hon LAM So-wai (LegCo internal reference no.: 20)

Reply:

The Hong Kong Monetary Authority (HKMA) introduced the interest rate stress test for property mortgage lending in 2010, which aims to ensure that mortgage borrowers have sufficient financial capacity to cope with the repayment pressure arising from an increase in mortgage interest rate over a loan tenor of 20 to 30 years, so that the risks of banks' property mortgage lending business can be effectively managed. The HKMA reviews the stress testing requirement from time to time. For example, in view of the prevailing interest rate environment and mortgage interest rate trends, the HKMA lowered in September 2022 the stress testing assumption from a 300-basis-point increase in the mortgage interest rate to a 200-basis-point increase.

In February 2024, after taking into account that the US rate hike cycle might be approaching an end and that the probability of a further rise in mortgage interest rates in Hong Kong in the near future is relatively low, the HKMA considered it appropriate to suspend the interest rate stress testing requirement for property mortgage lending. Nevertheless, mortgage borrowers are still subject to the maximum debt servicing ratio (DSR) of 50% to ensure that they have adequate repayment ability.

The HKMA considers that the risk of Hong Kong banks' residential mortgage lending business to be manageable. With the successive rounds of countercyclical macroprudential

measures introduced by the HKMA, the mortgage ratios in the Hong Kong property market have remained sound. The average loan-to-value ratio of newly-approved residential mortgage loans (RMLs) in 2023 stood at 57%, while the average DSR of new mortgage borrowers stayed at a low level of 40% during the same period. The overall RML delinquency ratio stood at 0.08% at end-January 2024, well below its peak in the past. The HKMA will continue to assess the latest conditions in the property market and introduce appropriate measures to safeguard banking stability.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)077

(Question Serial No. 2027)

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 first batch of direct investment and co-investment projects to be implemented in the first half of this year as mentioned in the Budget, are there detailed project plans and project estimates? What development opportunities and innovation impetus are expected to be brought to Hong Kong's Innovation and Technology (I&T) sector as a result?

Asked by: Hon LAU Chi-pang (LegCo internal reference no.: 3)

Reply:

The Hong Kong Investment Corporation Limited (HKIC) regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official background from the business, finance and academic sectors. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC, which will make announcement at the appropriate time.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channeling capital and leveraging market resources, as well as to attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3850)

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:

What is the estimated provision earmarked by the Hong Kong Investment Corporation Limited (HKIC) for attracting enterprises to set up their businesses in Hong Kong? Are there detailed plans on the special measures for attracting enterprises and the time schedule?

Asked by: Hon LAU Chi-pang (LegCo internal reference no.: 2)

Reply:

The Hong Kong Investment Corporation Limited (HKIC) regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official background from the business, finance and academic sectors. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC, which will make announcement at the appropriate time.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channeling capital and leveraging market resources, as well as to attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)079

(Question Serial No. 3855)

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:

With the stress test abolished, are there any provisions or other measures to ensure the stability of the residential property market?

Asked by: Hon LAU Chi-pang (LegCo internal reference no.: 6)

Reply:

The Hong Kong Monetary Authority (HKMA) introduced the interest rate stress test for property mortgage lending in 2010. The stress test aims to ensure that mortgage borrowers have sufficient financial capacity to cope with the repayment pressure arising from a rise in mortgage interest rate over a loan tenor of 20 to 30 years, so as to effectively manage the risks of banks' property mortgage lending business. The HKMA reviews the stress testing requirement from time to time. For example, in view of the prevailing interest rate environment and mortgage interest rate trends, the HKMA lowered in September 2022 the stress testing assumption from a 300-basis-point increase in the mortgage interest rate to a 200-basis-point increase.

In February 2024, after taking into account that the US rate hike cycle might be approaching an end and that the probability of a further rise in mortgage interest rates in Hong Kong in the near future was relatively low, the HKMA considered it appropriate to suspend the interest rate stress testing requirement for property mortgage lending. Nevertheless, mortgage borrowers are still subject to the maximum debt servicing ratio (DSR) of 50% to ensure that they have adequate repayment ability.

With the successive rounds of countercyclical macroprudential measures, the mortgage ratios in the Hong Kong property market have remained sound. The average loan-to-value ratio of newly-approved residential mortgage loans (RMLs) in 2023 stood at 57%, while the

average DSR of new mortgage borrowers stayed at a low level of 40% during the same period. The overall RML delinquency ratio stood at 0.08% at the end of January 2024, well below its peak in the past, the risk of Hong Kong banks' residential mortgage lending business is manageable. The Government and the HKMA will continue to assess conditions in the property market and introduce appropriate measures to safeguard banking stability.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1121)

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 announced in the 2023-24 Budget that it would introduce a company re-domiciliation mechanism to facilitate non-Hong Kong companies' re-domiciliation to Hong Kong so that these companies may utilise our favourable business environment and professional services. Please advise on the following:

- (1) the progress of the relevant work;
- (2) whether the Government has assessed how many non-Hong Kong companies will re-domicile to Hong Kong in the light of the policy; and
- (3) whether the Government has assessed the actual benefits to be brought to Hong Kong by the implementation of the policy.

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

Reply:

- (1) In 2023, we carried out a public consultation on the proposed company re-domiciliation regime, during which we reached out to various stakeholders including business chambers, professional associations and relevant advisory bodies to collect their views. We also consulted the Legislative Council (LegCo) Panel on Financial Affairs. We are following up on the views concerning matters such as the application eligibility and process of the proposed re-domiciliation regime and its impact on company operation as raised by stakeholders including the Hong Kong Federation of Insurers for incorporation into the legislative proposal as appropriate with a view to making the re-domiciliation procedures more clear and user-friendly. Specifically, the proposed company re-domiciliation regime will be applicable to companies of which the original domicile allows outward re-domiciliation. The regime will not specify business natures nor impose economic substance test on the applying companies. A company applying for re-domiciliation to Hong Kong should also fulfil requirements in relation

to integrity, member and creditor protection, and solvency so as to ensure that the company will not be used for unlawful purposes, contrary to public interest.

We plan to introduce the Bill in the first half of this year.

(2) and (3)

The market, especially the insurance sector, has demonstrated interest and demand for re-domiciliation to Hong Kong. After the implementation of the companies re-domiciliation regime, we will collaborate with InvestHK and the Hong Kong Exchanges and Clearing Limited to reach out to major Hong Kong listed companies domiciled overseas and encourage them to re-domicile to Hong Kong. The Economic and Trade Offices will in parallel promote and introduce the re-domiciliation regime to foreign enterprises.

Under the unique advantage of “One Country Two Systems”, 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 domicile to Asia.

Attracting companies to re-domicile to Hong Kong will not only bring greater demand for Hong Kong’s professional services (such as audit, accounting and legal services), but also create more investment and skilled job opportunities as the re-domiciled companies may move some of their business operations to Hong Kong. For non-Hong Kong companies which are already economically active in Hong Kong, their re-domiciliation to Hong Kong will facilitate their compliance with our high standards on corporate governance and better alignment of the geographical coverage of their business activities with their domicile, as well as enhancing Hong Kong’s status as a business hub. Since re-domiciliation is a commercial decision on the part of a company, we are not in a position to make any quantitative estimation on the number of re-domiciled companies and benefits that may be brought to the market.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)081

(Question Serial No. 1135)

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 Association of South East Asian Nations (ASEAN) is the second largest trading partner of Hong Kong. It is necessary for the Government to proactively develop its relationship with ASEAN.

- (1) Please set out the number of ASEAN companies currently listed in Hong Kong.
- (2) What plans does the Government have in 2024-25 to promote Hong Kong's financial market to enterprises in the 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?
- (3) 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 fundraising 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 enterprises from the ASEAN Region in Hong Kong?

Asked by: Hon LEE Wai-king, Starry (LegCo internal reference no.: 21)

Reply:

As of end-February 2024, 106 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 \$198.2 billion.

To promote the unique advantages of Hong Kong's capital market abroad, the Government has been utilising various channels for publicising Hong Kong's good image internationally and connecting with overseas enterprises, attracting companies from around the world (including ASEAN) to list and raise funds in Hong Kong for business expansion. Notably, the Chief Executive led a delegation to Singapore, Indonesia and Malaysia in July 2023 to meet with local political and business leaders, and showcase Hong Kong's unique advantages

of enjoying the strong support of the motherland and being closely connected to the world under “one country, two systems”. The delegation also encouraged ASEAN enterprises to expand their businesses in Hong Kong and explore the Guangdong-Hong Kong-Macao Greater Bay Area market by making good use of Hong Kong’s professional services and fundraising platform. The Government will continue to strengthen external promotion to target markets, including the Middle East and ASEAN, in the coming year to publicise the latest developments and opportunities of the various financial services sectors (including the securities market) in Hong Kong through duty visits and the overseas Economic and Trade Offices. The work involved will be absorbed by existing resources. The Hong Kong Exchanges and Clearing Limited (HKEX) will also continue to attract more ASEAN enterprises to list in Hong Kong through its overseas offices and various focused promotion and outreach activities.

HKEX has implemented a series of enhancement reforms since January 2022, including providing greater flexibility to dual primary listed issuers, and formulating a set of core shareholder protection standards¹ applicable to companies from different places so as to allow an issuer from any overseas jurisdiction that is able to fulfil the standards to apply for listing in Hong Kong. This provides greater convenience to overseas issuers (including ASEAN enterprises) to list in Hong Kong and ensure that a consistent standard is applied to different overseas jurisdictions (including ASEAN countries). In addition, HKEX included the Indonesia Stock Exchange into its list of recognised stock exchanges in November 2023, allowing companies listed in the Indonesian main board to apply for secondary listing in Hong Kong. The Government and HKEX will continue to review the scope of recognised stock exchanges, with a view to strengthening our attractiveness to overseas enterprises.

- End -

¹ The core shareholder protection standards include procedures and requirements that are relevant to appointment of directors, conducting of general meetings, variation of shareholder rights, amendment of constitutional documents, appointment of auditors, etc.

CONTROLLING OFFICER'S REPLY

FSTB(FS)082

(Question Serial No. 1631)

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 47 of the Budget Speech that the Securities and Futures Commission of Hong Kong and the Hong Kong Exchanges and Clearing Limited are considering to enhance the listing regime. In this connection, will the Government inform this Committee of the following:

1. What is the latest progress regarding the time needed for vetting listing applications from small and medium enterprises (SMEs)? How much improvement has been made when compared with 3 years ago?
2. To enhance the listing regime, will the regulators consider reviewing the existing front-loaded regulatory approach and disclosure-based regulatory principle, striving to avoid any unfair treatment for listing applications from SMEs and enhancing the predictability of listing approvals?

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

Reply:

- (1) Under the current listing regime, Hong Kong Exchanges and Clearing Limited (HKEX) plays the role of a front-line regulator, reviewing and approving listing applications in accordance with the Listing Rules. The Securities and Futures Commission (SFC) supervises HKEX's performance of its functions and responsibilities related to listing matters. In accordance with the powers conferred by the Securities and Futures (Stock Market Listing) Rules and the Securities and Futures Ordinance, the SFC also reviews and intervenes in serious cases involving such issues as corporate misconduct. HKEX and the SFC handle all applications equally in accordance with relevant rules.

In order to provide stakeholders with a clearer and more objective understanding of the status of listing vetting, HKEX discloses on its website every month the number of

listing applications on the Main Board and GEM, their processing status, and the average number of business days taken to issue a comment letter on the review of listing applications in that month. The number of new listings by market capitalisation on the Main Board and GEM from 2020 to 2022 and in 2023, and the average vetting time, are set out in the **Annex**.

- (2) Listing vetting is an important step to review the compliance of listing applicants and maintain market quality. Its objective is to protect the rights and interests of the investing public who subscribe to the relevant stocks, especially some retail investors who may not have professional knowledge of corporate finance. Applicants need to meet the listing requirements and provide adequate, accurate, complete and non-misleading disclosures about their business, financial situation and prospects. The front-loaded regulatory approach emphasises early targeted and systemic interventions to tackle counterfeiting and fraud at an early stage. It reduces the risk of investors incurring losses after purchasing the relevant stocks through public offerings and secondary market.

As an international stock market, we fully understand the importance of maintaining openness. We will continue to drive HKEX and the SFC to review the listing mechanism continuously and maintain communication with the industry to explore further optimising the efficiency and transparency of relevant work, seeking to balance between market development and regulatory needs.

**Number of New Listings by Market Capitalisation on the Main Board and GEM
and Average Vetting Time from 2020 to 2022 and in 2023**

Market Capitalisation ¹	2020 - 2022					2023				
	Number of new listings	Average days (business days)				Number of new listings	Average days (business days)			
		From first application to Listing Committee hearing	Vetting by HKEX	Response by applicants	From Listing Committee hearing to listing		From first application to Listing Committee hearing	Vetting by HKEX	Response by applicants	From Listing Committee hearing to listing
Main Board										
Market capitalisation of more than \$1,250 million	212	138	51	87	35	56	165	59	106	81
Market capitalisation between \$750 million and \$1,250 million	18	182	60	122	29	5	231	60	171	26
Market capitalisation of less than \$750 million	104	217	83	134	29	12	295	117 (66) ²	178	28
GEM ³	9	220	89	131	23	-	-	-	-	-

¹ Calculated based on the actual market capitalisation of the issuer at the time of listing.

² It includes 4 applications with major regulatory issues, the number of vetting days for which is longer than usual, ranging from more than 100 business days to more than 300 business days. If these 4 applications are excluded, the average number of days required for the remaining eight issuers is approximately 66 business days.

³ The average market capitalisation of GEM issuers at the time of listing was approximately \$280 million.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1632)

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 47 of the Budget Speech that the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited (HKEX) are discussing measures to enhance the listing regime and boost market efficiency. In this connection, will the Government inform this Committee of the following:

1. To further enhance the listing regime, will the HKEX explore ways to optimise the delisting regime, such as not taking rigorous actions against listed enterprises which are undergoing business changes or transformation, or not making delisting decisions lightly, thereby helping the enterprises maintain their avenues for financing?
2. Will the HKEX draw reference from overseas practices regarding over-the-counter (OTC) trading and provide a Hong Kong version of such OTC trading platforms, so that delisted stocks may continue to be traded? If no, what are the reasons?
3. What measures has the HKEX taken to help securities companies address the issues with respect to the potential liability and burden arising from holding delisted stocks? If no, what are the reasons?

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

Reply:

Facing the challenges from the external environment to the stock market, the Government established the Task Force on Enhancing Stock Market Liquidity (Task Force) in August 2023 to comprehensively review the factors affecting market liquidity and propose concrete recommendations to strengthen the competitiveness and sustainable development of the stock market. The Government, together with Hong Kong Exchanges and Clearing Limited (HKEX) and the Securities and Futures Commission (SFC), has been implementing a series of short-term recommendations at full speed. Those relating to the listing mechanism

include reforming GEM, promoting listing of overseas issuers, expanding the scope of recognised stock exchanges, etc.

The SFC and HKEX are exploring a series of measures to further enhance market efficiency and liquidity. For the listing mechanism, the focus of the coming year will be to study and optimise the price discovery process of initial public offerings and review the public float requirement of listed companies. In addition, in response to the views from issuers that the current listing requirements for structured products do not provide sufficient flexibility for the design of new products, HKEX will study and enhance the listing requirements and arrangements for structured products.

The Government, in collaboration with the SFC and HKEX, will continue to keep abreast of the changes and needs of overseas and local markets, closely monitor the market development of different places, and conduct strategic studies to optimise the market structure. Specific measures will be proposed in due course for consulting the market.

As regards the delisting arrangement, when a listed company or the Stock Exchange of Hong Kong issues a delisting announcement about the company, Hong Kong Securities Clearing Company Limited (HKSCC) will generally issue a notice to inform clearing participants (participants) that the relevant security will cease to be an eligible security after its listing status is cancelled. HKSCC will also require participants to withdraw the securities from the Central Clearing and Settlement System (CCASS). Participants, after obtaining instructions from their clients to withdraw the securities from CCASS, may communicate these instructions to HKSCC for processing. HKSCC will also send a message within a few days after the relevant company is delisted to remind participants of the delisting arrangement. HKSCC will not charge custody fees for securities that are still in CCASS but have been delisted.

As to the transfer of shares of delisted companies, transferring shares of unlisted companies over the counter is governed by the relevant corporate laws of the place where the relevant companies are registered and the companies' articles of association. If a listed company's listing status is involuntarily revoked, its delisted shares are deemed to be no longer suitable for trading by general investors on a recognised exchange. Although the shares cannot be traded in the securities market, transactions can still be completed in the form of share transfers in accordance with the existing legal framework and execution mechanism. We and HKEX will continue to monitor market developments and relevant situations.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)084

(Question Serial No. 1633)

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 47 of the Budget Speech that the Securities and Futures Commission of Hong Kong (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX) are exploring ways to improve the transaction mechanism, including narrowing bid-ask spreads and enhancing stock-trading units adopted in the cash market. In this connection, will the Government inform this Committee:

1. whether the regulators will consider not implementing the measures in an across-the-board manner and, in particular, consider maintaining the existing bid-ask spreads of small cap stocks without further reducing the trading spreads, so as to avoid affecting the turnover of small cap stocks?
2. whether the regulators will, by making reference to the practices of other major stock markets, consider abolishing the requirement on the board lot size and review the related charges, with a view to lowering the entry threshold for investors and promoting the diversification of investment portfolios?

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

Reply:

In face of the challenges from the external environment to the stock market, the Government established the Task Force on Enhancing Stock Market Liquidity in August 2023 to comprehensively review factors affecting market liquidity, and put up specific recommendations on strengthening the competitiveness and sustainable development of Hong Kong's stock market.

Among these, the Hong Kong Exchanges and Clearing Limited (HKEX) and the financial regulator are conducting a review to explore the possibility of narrowing the spread by introducing smaller tick size for stocks with high liquidity so as to improve the current

situation where the trading spread of relevant stocks is limited to the tick size. By substantively reducing the bid-ask spread, the prices of relevant stocks can better reflect the changing market conditions, thus reducing the indirect transaction cost to investors. HKEX aims to put forward specific proposals for public market consultation in the second quarter of this year.

The securities market currently uses “lot” as a single trading unit, and the number of shares per “lot” is determined by the issuer. On the one hand, there are voices in the market that the current arrangement lacks consistency and poses obstacles to retail investors’ entry into the market. On the other hand, some hold the view that the current arrangement has been widely accepted by the market, and any fundamental changes will have great impact on investors and intermediaries. Since the determination of both the trading unit and the bid-ask spread will affect market trading mechanisms, the HKEX will first present the outcome of the bid-ask spread review for market consultation, and examine the stock trading unit arrangement and related market impact afterwards. Relevant options will be studied, including the board lot arrangement, charges, etc.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)085

(Question Serial No. 1634)

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 48 of the Budget Speech that to further enhance market competitiveness, stamp duties payable on the transfer of real estate investment trust (REIT) units and the jobbing business of option market-makers will be waived. In this connection, will the Government inform this Committee of the following:

1. Has the Government estimated the effect of the exemption of the REIT and option market-makers from stamp duties in boosting the relevant transaction volumes?
2. While achieving fiscal balance, will the Government consider conducting regular reviews on the possibility for reducing the stamp duty on stock transfer; if a further reduction can be introduced, will a rate of 0.05% on only one side of transactions be imposed to stimulate high-frequency trading activities and enhance competitiveness?

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

Reply:

- (1) To further enhance market competitiveness and drive market development, the 2024-25 Budget has announced the proposal that the stamp duty payable on the transfer of real estate investment trusts (REIT) units and the flat rate stamp duty payable on the jobbing business of options market makers will be waived, in order to facilitate the further development of the REITs and derivatives market. The measure would also bring the tax relief for option market makers in line with the existing arrangements for the market-makers of other financial products (e.g. exchange-traded funds) and improve market liquidity and investors' efficiency in risk management.

Since market performance and turnover of individual products are affected by various factors (including external factors such as the macroeconomic environment and interest

rate trend), it is difficult to quantify the effect of the stamp duty waiver on relevant turnover.

- (2) Since the stamp duty on stock transfers is one of the important sources of public revenue, the Government needs to strike a balance between maintaining government revenue and promoting market development. The Government has reduced the rate of stamp duty to 0.1% in November 2023 to reduce investors' costs. When assessing the overall market cost, one should take into account the fact that there is no capital gains tax or withholding tax on dividends in Hong Kong. The Hong Kong Exchanges and Clearing Limited also launched a pilot programme in December 2023 to enhance its market data services, including lowering the fee for mobile market data service, thus help to reduce the overall cost involved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)086

(Question Serial No. 1635)

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 131 of the Budget Speech that the Government will press ahead with the development of an offshore Renminbi (RMB) ecosystem to capitalise on the enormous opportunity and to promote the internationalisation of the RMB in a steady and prudent manner. In this connection, would the Government inform this Committee of the following:

1. At present, to what extent is RMB used as the currency for investment or settlement in the financial links between Hong Kong and the Middle East, including the Saudi Arabian Exchange-traded Fund listed in Hong Kong? What improvement measures will be taken in the future to further enhance the use of RMB?
2. Will the Government actively offer more diversified offshore RMB products and services to the Middle Eastern countries that have accumulated large amounts of RMB from trade, so as to attract their capital to invest in Hong Kong? What is the current progress of drawing in capital from the Middle East?
3. Does the Government have plans to issue Islamic bonds denominated in multiple currencies, including RMB, in order to further develop Islamic finance in Hong Kong? This would not only open up development opportunities for countries in the Belt and Road region, the Middle East and the Association of South East Asian Nations, but also help accelerate the internationalisation of the RMB.

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

Reply:

- (1) To complement the new development paradigm of our country and cater for the increasing demands from global (including Middle East) investors for RMB asset allocation, the Government, together with financial regulators and the Hong Kong

Exchanges and Clearing Limited (HKEX), has been actively promoting the issuance and trading of RMB securities in Hong Kong. To that end, HKEX launched the “HKD-RMB Dual Counter Model” in June 2023.

The exchange-traded fund tracking Saudi Arabia market listed in Hong Kong has both Hong Kong Dollar (HKD) and RMB counters, allowing investors to trade in HKD or RMB. Since its listing on 29 November 2023 up to end-February 2024, the average daily turnover of its RMB counter is around RMB 1.17 million, representing 22% of its overall average daily turnover. We do not maintain consolidated data on the use of Renminbi (RMB) for investment and settlement in respect of Hong Kong’s financial linkages with the Middle East.

Through promotional activities (including visits, coorganising activities with local organisations, participating in outreach activities, holding industry education activities, and assisting with roadshows of relevant companies), the Government and HKEX will promote the opportunities for allocating high quality equity assets via the RMB counters, with a focus on overseas economies that conduct cross-border trade in RMB (e.g. the Middle East and South East Asia countries). The Government will also strengthen publicity through the Economic and Trade Offices overseas and in the Mainland and InvestHK.

- (2) As the world’s largest offshore RMB business hub, Hong Kong can provide support for related RMB economic activities in the Middle East region. The Government is committed to working in collaboration with the financial regulators and the industry to continuously increase the choices of RMB financial products and services in Hong Kong. For instance, under the Government Green Bond Programme, the Government has issued multiple tranches of government green bond denominated in RMB since November 2021, with a total issuance amount reaching RMB31.5 billion. Among the issuances, our first 10-year RMB green bond issued in June 2023 and the RMB tokenised green bond issued in February this year have further enriched offshore RMB product offerings. The Shenzhen Municipal People’s Government and the People’s Government of Hainan Province have also issued multiple tranches of offshore RMB bonds in Hong Kong, covering green bonds, blue bonds, sustainability bonds and social bonds. In addition, the Government is actively taking forward the issuance of Mainland government bond futures in Hong Kong with a view to offering offshore risk management tools for Hong Kong and overseas investors (including those in the Middle East region) to participate in the Mainland government bond market. The Government will also continue to encourage financial institutions to provide more offshore RMB products and risk-management tools, thereby promoting the development of Hong Kong as a more comprehensive offshore RMB hub and risk management centre.
- (3) To promote the development of Islamic finance (including the sukuk market) in Hong Kong, the Government has taken concrete steps to build a conducive platform for sukuk issuance, including amending our laws in 2013 and 2014 respectively to provide for a tax structure for sukuk issuance comparable to that for conventional bonds, and covering such issuances under the Government Bond Programme (GBP).

In 2014, 2015 and 2017, 3 sukuk of different structures and tenors totalling HK\$23.4 billion equivalent were issued under the GBP to demonstrate to the global market the

strengths of Hong Kong's Islamic finance platform, with a view to attracting more issuers and investors to participate in Hong Kong's capital market. The 3 issuances have successfully demonstrated the viability of the Hong Kong platform, with the legal, regulatory and taxation frameworks readily supporting different structures of sukuk issuances. The Government believes that these market development efforts help enhance the attractiveness of Hong Kong's sukuk platform vis-a-vis other financial centres in the region. An array of Islamic financial products and services have been introduced in Hong Kong, including the listing of global sukuk on HKEX, Islamic funds, Shariah-compliant equity indices and Islamic banking windows. Coupling the advantages of Hong Kong as an offshore Renminbi business hub, the Government will continue to promote the development of Islamic financial markets in Hong Kong.

- End -

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:

It is stated in paragraph 135 of the Budget Speech that the Government is now in discussion with Mainland authorities over the introduction of block trading, the inclusion of RMB counters under the Southbound Trading of Stock Connect, and the expansion of the mutual-market access regime to cover REITs, bringing in more enterprises and capital to the Hong Kong market. In this connection, will the Government inform this Committee of the following:

1. Are there any implementation timetables for the above 3 programmes?
2. In order to further expand the mutual-market access regime, will the Government strengthen communication with the Mainland regulatory authorities, including discussion on the introduction of Commodity Connect, Futures Connect and IPO Connect, etc., thereby enhancing market depth and breadth?

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

Reply:

The Government is committed to deepening and widening mutual access between the financial markets of the Mainland and Hong Kong. With the strong support from the Central People's Government, a number of enhancement measures and new products were introduced under the mutual market access programme in 2023, including the further expansion of eligible stocks under Stock Connect, introduction of Northbound trading of Swap Connect, etc., fostering the connectivity and concerted development of the two markets.

The Mainland and Hong Kong regulators announced in August 2023 their consensus to introduce block trading under the mutual market access mechanism, which will further enrich the existing trading arrangements and enhance trading efficiency. The actual implementation timetable will be announced after the relevant technical and preparatory matters have been approved by the regulatory authorities of the two places. We will also

continue to follow up and explore with the Mainland various arrangements for expanding and enhancing the mutual access mechanisms, such as including Renminbi (RMB) counters under Southbound trading of Stock Connect and expanding the mutual market access regime to cover real estate investment trusts, further enriching the types of RMB investment products. Specific measures will be announced once they are ready for implementation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)088

(Question Serial No. 1637)

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 144 of the Budget Speech that “The Cross-boundary Wealth Management Connect (WMC) Scheme in the GBA has seen continuous and steady development. ‘WMC 2.0’ was officially launched earlier this week, introducing such enhancement measures as increasing the individual investor quota and lowering the threshold for participating in the Southbound Scheme”. In this connection, would the Government inform this Committee of the following:

1. Will the Government discuss with the regulatory departments to review the criteria for determining the risk levels of bonds, with a view to including more bond products in the scope of investment products under the WMC Scheme, so as to provide more choices to investors?
2. In addition, will the Government consider inclusion of more different types of investment products, so as to provide more diversified investment products?

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

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.

WMC has seen continuous and steady development since its launch in September 2021. According to the statistics published by the People's Bank of China, up to end-February 2024, over 73 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao) participated in WMC and around 49 200 cross-boundary fund remittances amounting to around RMB 15.283 billion (including Guangdong, Hong Kong and Macao) had been recorded.

“WMC 2.0” commenced on 26 February 2024. Enhancement measures include increasing the individual investor quota from RMB 1 million to RMB 3 million, lowering the threshold for participating in the Southbound Scheme to support more GBA residents to participate in the scheme, expanding the scope of participating institutions to include eligible securities firms, expanding the scope of eligible investment products, and further enhancing the promotion and sales arrangements, which are positive responses to the aspirations and suggestions of the industry in Hong Kong.

Under “WMC 2.0”, the scope of eligible products under the Southbound Scheme has been expanded to include all non-complex funds domiciled in Hong Kong and authorised by the Securities and Futures Commission in Hong Kong (SFC) that primarily invests in Greater China equity, as well as low- to medium-high-risk (which was low- to medium-risk under “WMC 1.0”) non-complex funds domiciled in Hong Kong and authorised by the SFC (excluding single emerging market equity funds and high-yield bond funds). Under the Northbound Scheme, Renminbi-denominated deposit products offered by Mainland banks have been newly added to the scope of eligible products, and the scope of eligible public securities investment funds has been expanded from those with risk rating of “R1” to “R3” to those with risk rating of “R1” to “R4” (excluding commodity futures funds).

As an innovative financial cooperation measure in the GBA involving three different regulatory systems, WMC has been implemented under a pilot approach in a gradual and incremental manner. The relevant regulators in the three places will continue the collaboration and explore further policy interaction headroom based on the respective existing regulatory regimes and practices. The Government will closely monitor market developments and the operation of WMC, and explore in coordination with relevant regulatory authorities further enhancements to WMC as appropriate (including consideration of extending the coverage to more bond products and other types of investment products), so as to increase investors’ choices.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1638)

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 132 of the Budget Speech that the Government will encourage financial institutions to provide more offshore Renminbi products and risk-management tools. In this connection, would the Government inform this Committee of the following:

What plans does the Government have to better utilise the existing financial infrastructures to develop futures and derivatives business, so as to promote the development of Hong Kong as an international risk management centre?

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

Reply:

The derivatives market is an important part of the Hong Kong securities market. The derivatives market under Hong Kong Exchanges and Clearing Limited (HKEX) registered increased trading volume in 2023, with the average daily trading volume of futures and options reaching 1.35 million contracts, representing a rise of 4% from 2022. The average daily trading volume of stock index options was close to 137 000 contracts, representing a rise of 10% from 2022. The average daily trading volume of key derivative products such as Hang Seng Index futures and options as well as Hang Seng Tech Index futures all hit new highs during 2023.

The Government in coordination with the Securities and Futures Commission (SFC) made legislative amendments in 2023 to optimise the derivatives position limit regime. The relevant measures include refining the definition of contracts that are subject to the limits and clarifying relevant statutory requirements; adjusting the position limit arrangements for single stock futures and options as well as mini index futures and options; and adjusting the regulatory model for international market-based futures and options to promote product development. These measures provide investors with more opportunities and flexibility,

enabling their risk management while ensuring that the market has suitable risk management and control for handling potential systemic risks and malicious attacks.

The 2024-25 Budget has announced that the stamp duty payable on the jobbing business of option market makers will be waived, in order to lower the transaction costs, facilitate the further development of the derivatives market, and improve market liquidity and investors' efficiency in risk management. HKEX has also extended the holiday trading arrangements to derivatives products from 29 March 2024 to include currency futures and options, facilitating investors to manage foreign exchange risks during public holidays in Hong Kong. The first batch of covered call options exchange-traded funds were also listed on HKEX in February 2024, further enriching the product ecosystem related to derivatives, meeting investors' diversified investment needs, and facilitating investors to mitigate downside risks in volatile market conditions. In addition, HKEX is actively making preparation for launching treasury bond futures in Hong Kong upon regulatory approval. This will not only expand the derivatives market but also support the development of RMB investment products in Hong Kong and consolidate its position as the global leading offshore RMB business hub. HKEX and the SFC will continue to explore initiatives that are beneficial to the development of the derivatives market. Specific improvement measures will be announced when they are ready for implementation, with the market consulted as appropriate.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1639)

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 139 of the Budget Speech, the new Capital Investment Entrant Scheme (new CIES) will soon invite applications. Eligible investors who invest HK\$27 million or more in qualifying assets and place HK\$3 million into a new CIES Investment Portfolio may apply to reside in and pursue development in Hong Kong. In this connection, please inform this Committee of the following:

1. Will the Government consider including more diversified investment products, such as derivatives, physical gold and virtual assets, if the investment risks are manageable, so as to boost the appeal of the new scheme?
2. Will the Government provide one-stop facilitation services, including listing and associated services, children's education arrangements, etc., for applicants of the new scheme through inter-departmental collaboration, so as to bring convenience to and attract more investment immigrants to Hong Kong?

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

Reply:

- (1) It was announced in the 2023-24 Budget that the New Capital Investment Entrant Scheme (the New Scheme) would be introduced to further enrich the talent pool and attract new capital to Hong Kong, strengthen the development of asset and wealth management industry and related professional service sectors in Hong Kong, and support the development of the innovation and technology industries. Application has been opened from 1 March 2024 and eligible investors may apply to reside and pursue development in Hong Kong. Since the launch of the New Scheme up to 5 April, InvestHK has received over 1 800 enquiries and 53 applications, and approved Net Asset Assessment for 3 applications.

The scope of permissible investment assets under the New Scheme has been significantly expanded as compared to the original Capital Investment Entrant Scheme. Apart from including non-residential real estate, the New Scheme has added financial assets denominated in Renminbi. For eligible collective investment schemes, the New Scheme has included more funds, real estate investment trusts and Investment-Linked Assurance Schemes authorised by the Securities and Futures Commission, as well as open-ended fund companies and limited partnership funds.

The Government will evaluate the effectiveness of the New Scheme as appropriate (including the categories of permissible investment assets) to ensure that the relevant arrangements and initiatives are able to attract target asset owners to deploy and manage their wealth, and fully realise the diversified investment opportunities in Hong Kong.

- (2) With resources provided by the Financial Services and the Treasury Bureau, Invest Hong Kong set up a dedicated FamilyOfficeHK team (the dedicated team) in June 2021 to provide one-stop support services to family offices (FOs) and ultra-high-net-worth individuals (including applicants under the New Scheme) interested in pursuing development in Hong Kong. Services provided by the dedicated team include supporting asset owners to set up FOs in Hong Kong, referring cases of FOs interested in listing in Hong Kong to the Hong Kong Exchanges and Clearing Limited, providing consultation services on living in Hong Kong (including opening of bank accounts, housing, healthcare, etc.), providing information on tax and business regulations, and where necessary issuing support letters to international schools in Hong Kong to facilitate admission applications of family members, etc. Working together with Government departments concerned, Invest Hong Kong will continue to strengthen its one-stop services.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)091

(Question Serial No. 1640)

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 140 of the Budget Speech that the Government will further enhance the preferential tax regimes for single family offices and carried interest, including enhancing flexibility in handling incidental transactions, to attract more family offices with potential to establish a presence in Hong Kong. In this connection, will the Government inform this Committee of:

1. the number of single family offices currently operating in Hong Kong and their average net asset; and
2. whether the Government will consider removing the 5% threshold for incidental transactions; if not, whether it will adjust the proportion concerned upwards to attract more family offices focusing mainly on incomes derived from dividends and bond interests to establish their presence in Hong Kong? If neither will be considered, what are the reasons?

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

Reply:

- (1) According to the research findings of the consultant commissioned by Invest Hong Kong and publicised in March 2024, there were around 2 700 single family offices (FOs) operating in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. The dedicated FamilyOfficeHK team (the dedicated team) of Invest Hong Kong provides one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team has assisted 64 FOs to set up or expand their business in Hong Kong. Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong. As individual FOs' assets

under management involve commercially sensitive information, it is not appropriate to disclose the details.

- (2) The 2024-25 Budget has announced that the Government will further enhance the preferential tax regimes for funds, single family offices and carried interest, including reviewing the scope of the tax concession regimes, increasing the types of qualifying transactions and enhancing flexibility in handling incidental transactions, to attract more funds and family offices with potential to establish a presence in Hong Kong. The Government will consult the industry and prepare specific enhancement proposals.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1642)

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 79 of the Budget Speech that in order to deepen Hong Kong's green and sustainable finance development, enterprises must align their practices in sustainability disclosure with international standards. The Financial Services and the Treasury Bureau and the Securities and Futures Commission will formulate a roadmap and vision statement to assist companies and financial institutions in sustainability reporting and the analysis of relevant data. In this connection, please advise this Committee on the following:

1. What are the timetables drawn up by the Government and the regulators for introducing the environmental, social and governance (ESG) standards of Hong Kong to align with international standards and facilitate more consistent disclosures by enterprises?
2. Does the Government have any plans to establish an ESG certification regime of Hong Kong, vigorously develop the ESG certification industry and step up promotion to Mainland enterprises of adopting and acquiring the ESG certification of Hong Kong, facilitating their making of ESG disclosures which are in line with international standards?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 12)

Reply:

- (1) The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards) in June 2023, as the global baseline for corporate disclosure of climate and sustainability-related information. The Government will work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards to align with international standards.

We have set up a working group (working group), which is co-led by the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission, with members comprising financial regulators and stakeholders (including Hong Kong Exchanges and Clearing Limited (HKEX) and the Hong Kong Institute of Certified Public Accountants (HKICPA)), to prepare the roadmap. The roadmap will comprise 4 key areas — sustainability reporting, assurance, data and technology, and capacity building. Assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards (Hong Kong Standards) aligned with the ISSB Standards as well as the complementary application and implementation guidance. FSTB published on 25 March this year a vision statement, setting out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. The working group is already engaging with stakeholders to identify the specific circumstances that should be considered for the development and implementation of the Hong Kong Standards. Our target is to launch the roadmap within 2024, to provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong as well as sufficient time for making preparations and developing readiness for the pragmatic implementation of the Hong Kong Standards.

- (2) Currently, various third-party certification bodies in the market are providing ESG certification or verification services for corporates' reports or products. Corporates can seek suitable independent certification or verification having regard to their own business operations and considerations. With a view to attracting more financial and professional service providers including external reviewers to set up or expand their business in Hong Kong and encouraging more green financing activities to be conducted in Hong Kong, the Government launched the three-year Green and Sustainable Finance Grant Scheme (GSFGS) in May 2021 with a total provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As of early March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. The 2024-25 Budget proposes to extend the GSFGS, which is due to expire in mid-2024, by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation.

In addition, assurance helps build credibility and reliability of reported sustainability-related information. HKEX had already included relevant provisions in the ESG Reporting Guide published in July 2020 to encourage issuers to seek independence assurance to enhance the credibility of ESG information. As abovementioned, the roadmap will cover sustainability assurance. In this connection, the working group will monitor international developments and work with stakeholders closely in developing the local sustainability-related assurance and ethics standards, taking account of the latest global developments including relevant discussions at the International Auditing and Assurance Standards Board and International Ethics Standards Board for Accountants. The Accounting and Financial Reporting Council will be involved in driving the development of sustainability assurance in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)093

(Question Serial No. 1643)

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 147 of the Budget Speech that to bolster the competitiveness and advantages of the financial services industry in Hong Kong, the Government will earmark \$100 million to promote the sustainable development of financial services. This includes green and sustainable finance, asset and wealth management, and risk management etc. In this connection, please inform this Committee of the following:

1. How will the Government use the earmarked funding of \$100 million to promote the sustainable development of financial services? Are there any specific plans and implementation timetables?
2. Will the Government strengthen its collaboration and communication with the relevant Mainland authorities, so as to expedite the implementation of a mutual recognition mechanism for professional qualifications in securities, futures and asset management, etc. in the Greater Bay Area (GBA), and to facilitate Hong Kong's financial services sector expanding their businesses into the GBA?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 13)

Reply:

- (1) The “funding for promoting and facilitating the development of the financial services sector” is a general non-recurrent item which, through launching financial support schemes, organising promotion events and forums, supporting talent training etc., provides support to further promote and facilitate the development of the financial services sector on various fronts. It covers a number of measures/funding schemes benefitting the financial services sector, including –
 - (a) **asset and wealth management:** the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (Grant Scheme) provides funding

support for open-ended fund companies (OFCs) set up or re-domiciled to Hong Kong and real estate investment trusts (REITs) listed in Hong Kong. As of end-March 2024, the Grant Scheme has approved 211 OFC and 1 REIT applications and a total of some \$118 million has been granted. Since the introduction of the Grant Scheme, the number of OFCs registered in Hong Kong has increased substantially from 14 in May 2021 to 302 in March 2024, effectively promoting the development of the funds sector;

- (b) **green and sustainable finance:** the Green and Sustainable Finance Grant Scheme (GSFGS) provides funding support for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As of early-March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. Separately, the Pilot Green and Sustainable Finance Capacity Building Support Scheme was launched for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. As of early-March 2024, about 2 200 reimbursement applications have been approved, involving a total reimbursement amount of around \$120 million;
- (c) **insurance sector:** the Pilot Insurance-linked Securities (ILS) Grant Scheme provides subsidy to cover upfront costs of eligible ILS issuances in Hong Kong, serving to attract issuing institutions and nurture relevant professional talents. Since the implementation of the Scheme in May 2021, the Insurance Authority has approved 3 applications and provided total financial support of around \$28 million. Along with the dedicated ILS regulatory regime rolled out in 2021, these measures have thus far facilitated the issuance of 4 catastrophe bonds in Hong Kong, with total issuance amount of \$4.4 billion, securing protection against losses inflicted by typhoons and earthquakes in different places around the world, thereby promoting expansion of risk management channels and diversified development of the insurance market;
- (d) **Fintech:** the Pilot Scheme on Training Subsidies for Fintech Practitioners provides practitioners who have successfully attained Fintech professional qualifications with tuition financial support. So far, around 350 practitioners have enrolled in the relevant training courses. Separately, the GBA Fintech Two-way Internship Scheme for Post-secondary Students funds students from Hong Kong and the Mainland to participate in short-term internship in Fintech companies, with a view to enhancing talent exchange and enlarging the Fintech talent pool. The whole internship scheme will provide 150 internship positions with the participation of around 30 Fintech companies in Hong Kong and the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The winter internship scheme commenced in January 2024, while details of the summer internship scheme will be announced in the second quarter of 2024;
- (e) **GBA financial development:** to enhance Hong Kong youngsters' understanding of the GBA financial market, we organised two rounds of "Set Sail for GBA – Scheme for Financial Leaders of Tomorrow" programme from 2021 to 2023, facilitating more than 150 young people to learn more about the opportunities in the GBA and make preparations for their future career. The first round of the scheme was

conducted in November 2021 to March 2022 in Hong Kong, including sharing sessions by senior leaders in corporates, visits to local financial institutions, soft-skill workshops and job-shadowing of senior leaders in corporates. The second round was co-organised by the Financial Services and the Treasury Bureau and the Shenzhen Municipal Financial Regulatory Bureau from June to July 2023, which provided university students of Hong Kong with summer internship opportunities in financial institutions in Shenzhen; and

- (f) **financial mega events:** the Asian Financial Forum (AFF) is Hong Kong's annual flagship event and a key event for the region's financial community, gathering thousands of officials, representatives of multilateral organisations, and financial and business leaders from all over the world to participate in discussions of global economic and financial issues, as well as explore collaboration opportunities. The AFF helps reinforce Hong Kong's status as an international financial centre.

The 2024-25 Budget has announced that the Government will earmark \$100 million under the item to promote the sustainable development of financial services. We will continue to listen to the industry's views and discuss how to enhance existing measures and introduce new measures for specific policy areas (e.g. development of headquarters economy), with a view to strengthening the long-term development of the financial services sector and related professional services. Specific measures will be announced as appropriate in due course.

- (2) We attach great importance to the enormous opportunities brought by the GBA development to Hong Kong's financial and professional services sectors. The "Outline Development Plan for the GBA" confirms and supports Hong Kong's status as an international financial centre, a global offshore Renminbi business hub, an international asset and risk management centre, and the development of Hong Kong into a green finance centre and a platform for investment and financing serving the Belt and Road initiative. Specific measures for strengthening collaboration and communication with the relevant Mainland authorities and facilitating Hong Kong's financial services sector expanding their businesses into the GBA are as follows –

- (a) Strengthening Shenzhen-Hong Kong financial co-operation: We will co-establish the Shenzhen-Hong Kong Financial Co-operation Committee with the Shenzhen authorities in the first half of this year. The Committee will comprise members including the governments, representatives of relevant financial regulators and the industry to advise and offer suggestions in respect of bolstering mutual access to the financial markets, co-operation on Fintech and green finance, and exchange of financial talents. We will continue to take advantage of the financial reform and innovation measures in the Qianhai Co-operation Zone to expand the businesses of Hong Kong financial institutions in Qianhai, such as facilitating Hong Kong's limited partnership funds to be qualified under the Qianhai Qualified Foreign Limited Partnerships (QFLP) to participate in private equity investment in the Mainland.
- (b) Mutual recognition of qualifications: Under the Mainland and Hong Kong Closer Economic Partnership Arrangement, the Mainland has since 2004 simplified the relevant procedures for securities practising registrations and futures or fund qualification applications on the Mainland by Hong Kong professionals. Hong

Kong professionals holding relevant licences issued by the Securities and Futures Commission (SFC) are only required to pass relevant examination on Mainland laws and regulations and are exempted from examination on professional knowledge. The SFC has offered reciprocal arrangement to the Mainland professionals.

The Qianhai Overall Development Plan mentions enhancing the employment environment for talents by allowing eligible professionals in finance (who possess occupational qualifications in Hong Kong, Macao or with international recognition) to provide services in Qianhai after filing or registration, with their offshore job experience recognised. The regulators in Hong Kong and the Mainland will continue to examine enhancement measures to explore ways of broadening Hong Kong professionals' entry into the Mainland market (including the GBA), thereby increasing the flexibility in the provision of human capital for the Mainland and Hong Kong markets.

- (c) Cross-boundary Wealth Management Connect in the GBA (WMC): WMC has seen continuous and steady development. WMC 2.0 commenced on 26 February this year, introducing enhancement measures such as increasing the individual investor quota to RMB 3 million and lowering the threshold for participating in the Southbound Scheme, which can further realise the potential of WMC and are conducive to the industry's exploration of business opportunities in the GBA.
- (d) Cross-boundary credit referencing: To help enterprises secure financing in the GBA more easily, the Hong Kong Monetary Authority and Mainland regulatory authorities will continue to build a collaborative framework on cross-boundary credit referencing. Through such collaboration, the banks of both places, upon consent from corporate customers, will be allowed to access the credit data of relevant corporations, so that credit assessment can be conducted in a more secure and efficient manner.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1644)

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 37 of the Budget Speech that the Government will strive to open up new capital sources, including those from the Middle East. In this connection, will the Government inform this Committee of the following:

1. What plans has the Government got to strengthen co-operation with Invest Hong Kong and the overseas Economic and Trade Offices to actively attract enterprises from the Middle East and the Association of Southeast Asian Nations (ASEAN) to list and participate in investment and fundraising activities in Hong Kong?
2. Will the Government spearhead collaboration with the financial services sector to organise more trade missions and investment promotion seminars to facilitate the sector, with particular focus on small and medium financial institutions, to develop business and gain more development opportunities in the Middle East and ASEAN countries?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 14)

Reply:

- (1) The Government, Hong Kong Exchanges and Clearing Limited (HKEX) and the Securities and Futures Commission are committed to strengthening the breadth and depth of the Hong Kong fundraising platform, so as to attract different types of enterprises as well as investors from the Mainland and overseas to participate in investment and fundraising activities in Hong Kong, exemplifying Hong Kong's function as an international fundraising and financing centre.

To promote the unique advantages of Hong Kong's capital market abroad, the Government has been utilising various channels for publicising Hong Kong's good image internationally and connecting with overseas enterprises, as well as strengthening bilateral economic ties and mutual co-operation. In this regard, the Chief Executive

led a delegation with high-level representatives from various sectors including financial services, industry and commerce, trade, professional services, etc. to various countries in the Middle East and Southeast Asia in February and July 2023 respectively to promote Hong Kong's advantages in different areas including finance and trade as well as the immense opportunities under "one country, two systems". The Financial Secretary led a delegation comprising representatives from chambers of commerce, public organisations, investors, start-up entrepreneurs and professional service providers to visit Europe in September 2023 to introduce the new advantages of Hong Kong and the new business opportunities that Hong Kong provides, as well as exchange with local financial and business communities. The Hong Kong Monetary Authority and representatives of the Hong Kong banking sector visited Thailand in January this year to promote the latest developments in Hong Kong (including our banking industry and capital market) and explore new opportunities arising from the deepening economic and financial ties between the two places. The Government will continue to strengthen external promotion efforts in the coming year to promote the latest developments and opportunities of various financial services sectors (including the securities market) in Hong Kong, while supporting the local financial services industry to explore new markets.

- (2) In order to further promote Hong Kong's securities market and fundraising platform to overseas enterprises and capital, HKEX is preparing for various major promotion activities in the coming year, including jointly organising different thematic flagship summits and events with organisations in the Middle East and Southeast Asia. It aims to strengthen the connection between Hong Kong and overseas markets as well as explore how to leverage Hong Kong's capital market to support research and development and commercialisation for enterprises, with a view to generating more interest from issuers and capital in the Hong Kong market. HKEX will also continue to participate in different outreach activities, expanding the coverage of enterprises and introducing in detail the advantages of Hong Kong's listing platform through thematic speeches, forum exchanges, and roadshow events. The Government will coordinate the relevant promotion work. The Government will also proactively assist interested enterprises through the Office for Attracting Strategic Enterprises, Invest Hong Kong, and Economic and Trade Offices in the Mainland and overseas, as well as organise international financial mega events to strengthen networking and tell the good stories of Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1645)

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 33 of the Budget Speech that the Hong Kong Investment Corporation Limited (HKIC) will perform its role of channelling capital and leveraging market resources to attract more Innovation and Technology companies to establish their presence in Hong Kong, accelerating the development of strategic industries. In this connection, will the Government inform this Committee of the following:

1. The operating situation of the HKIC since its establishment, including operational expenditure, number of staff and this year's estimates.
2. Whether the HKIC has invested in Hong Kong-listed stocks? If yes, will it consider increasing the proportion of investment in Hong Kong stocks; if no, what are the reasons?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 15)

Reply:

At the initial stage of operation, the Hong Kong Monetary Authority rendered supports related to investment, logistics and operational matters. Since the assumption of duties of the CEO and other team members, the Hong Kong Investment Corporation Limited (HKIC) team has taken over the operations and investment related matters, and regularly reports to its Board. In addition to officials from relevant policy bureaux, the Board also consists of industry leaders with non-official background from the business, finance and academic sectors. The Board will approve the company structure, as well as its governance, manpower and administration and other related operational budget based on the actual operational needs of HKIC. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage. Regarding the investment size of and arrangement for the HKIC in individual projects, the relevant factors for consideration include the strategic and financial value of the project to Hong Kong, the development stage, investment structure and risks of the relevant project.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)096

(Question Serial No. 1646)

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 132 of the Budget Speech that the Government will develop the Central Moneymarkets Unit (CMU) into Asia's major international central securities depository platform. It will provide better support for Renminbi businesses such as cross-border clearing, settlement and custodian services etc. In this connection, would the Government inform this Committee of the following:

1. How will the Government make use of the organisation under the Hong Kong Exchanges and Clearing Limited (i.e. the Hong Kong Securities Clearing Company Limited, which is also a member of the CMU) to enable exchange participants to better develop their bond-related business, and to develop the CMU into Asia's major international central securities depository platform?
2. Is the present CMU sufficient to cope with the daily turnover of the Bond Connect? Is it expected that the enhanced CMU will be able to meet the future trading needs?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 16)

Reply:

The Hong Kong Securities Clearing Company Limited (HKSCC) and Central Moneymarkets Unit (CMU) both constitute critical financial infrastructure in Hong Kong. In the bond market, these two institutions perform their respective functions such that the CMU provides custody, safekeeping and settlement services for its members (including the HKSCC), while the HKSCC works to facilitate the listing, trading and clearing settlement services of bonds on the exchange. The HKSCC and CMU have been exploring ways to enhance connectivity in the retail bond market, link the exchange-traded bond market with the over-the-counter trading market, and assist other CMU members in utilising their holdings to participate in exchange services.

Since its launch, Bond Connect has been operating smoothly. The CMU is able to cope with the current trading volume, and has been continuously updating and optimising its systems in response to business demand. The first phase of system upgrade was completed in July 2023, with the implementation of Open Application Programming Interface and new user interface supporting various electronic services. The second phase of system upgrade is under development, with a view to enhancing the account structure, settlement capability and collateral management function as well as supporting 24-hour operation for higher service efficiency.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1647)

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 82 of the Budget Speech that the Government will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme (the Scheme) in the first half of this year. In this connection, will the Government inform this Committee of the following:

1. What are the differences between the Scheme and the current Fintech Proof-of-Concept Subsidy Scheme (PoC Scheme) in terms of the funding scope?
2. Please set out the projects subsidised by the PoC Scheme in the past 12 months, as well as the amount of subsidy involved and the outcomes achieved.
3. What is the current total amount of provision allocated to the PoC Scheme by the Government?

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

Reply:

(1) and (3)

In 2021 and 2022 respectively, the Government launched two rounds of the Fintech Proof-of-Concept Subsidy Scheme (PoC Scheme) with an allocation of \$10 million for each round to encourage traditional financial institutions to partner with financial technology (Fintech) companies to conduct proof-of-concept projects on innovative financial services products, thereby promoting continuous innovation in the industry. Based on this successful experience, the Government will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme in the first half of 2024, with a total provision of \$10 million. It will provide early-stage funding support for green

Fintech, facilitating commercialisation and fostering the development of new green financial technology initiatives. Details will be announced in due course.

- (2) Launched in September 2022 and completed in September 2023, the second-round PoC Scheme approved a total of 56 projects with over 80% of the solutions commercialised upon completion of proof-of-concept. The subsidy amount for each approved project ranged from \$150,000 to \$300,000. The areas of Fintech application covered by the 56 approved projects are as follows:

Areas of Fintech Application	No. of Projects
Blockchain	16
Data Analytics	11
InsurTech	10
Environmental, Social and Governance	5
WealthTech	5
Others (including RegTech and PayTech)	9
Total	56

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)098

(Question Serial No. 1652)

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 151 of the Budget Speech that the Commercial Data Interchange (CDI) launched earlier by the Hong Kong Monetary Authority and its Project mBridge allow enterprises to apply trade financing and cross-border settlement services at a lower cost and with higher efficiency. In this connection, will the Government 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.: 22)

Reply:

- (1) In October 2022, the Hong Kong Monetary Authority (HKMA) launched the Commercial Data Interchange (CDI) which seeks to facilitate enterprises (in particular small and medium enterprises (SMEs)) to share with banks their commercial data from different data sources, thereby enhancing their access to more financial services.

As a local data infrastructure, the CDI currently focuses the development on local use cases with more domestic data sources being connected and expanded first, thereby providing better support to the SMEs in Hong Kong. For example, the CDI has been connected to the Government's Consented Data Exchange Gateway since end-2023 and the Companies Registry has become the first government data source of the CDI via the

Gateway. The HKMA 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 developing more business use cases.

- (2) One of the basic principles for the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is to foster the convenient flow and optimal distribution of various factors (including information) within the GBA. The Government and financial regulators have been fostering the flow of financial data within the GBA based on actual needs with proper risks control and in compliance with laws and regulations. Specific measures include -

- (i) Cross-boundary credit referencing data: The People's Bank of China (PBOC) announced on 24 January 2024 a series of measures which deepen the financial co-operation between the Mainland and Hong Kong, including promoting the collaboration on cross-boundary credit referencing (CBCR) to facilitate corporates' cross-boundary financing activities. The Hong Kong Monetary Authority (HKMA) and the PBOC have subsequently signed a Memorandum of Understanding on CBCR pilots and agreed to first conduct CBCR pilots between Shenzhen and Hong Kong to explore two-way cross-boundary credit data connectivity between the two places, and to establish a foundation for pursuing the further development of cross-boundary credit data connectivity. The CBCR initiative aims to achieve cross-boundary credit data connectivity, such that Hong Kong banks can access the credit data of Mainland customers, and banks in Mainland cities can access the credit data of Hong Kong customers. With an initial focus on facilitating commercial lending, CBCR can facilitate small and medium-sized enterprises to obtain financing, as well as improve the efficiency and cost-effectiveness of banking services.
- (ii) Green and sustainable finance data: The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group), formed by relevant Government Bureaux, financial regulators and the Hong Kong Exchanges and Clearing Limited, provides on its website a Green and Sustainable Finance Data Portal (Portal) which contains various local, Mainland and global data sources to support the financial sector in locating data for climate risk management as well as other analyses and researches related to green and sustainable finance. The website, which is accessible to the public, also consolidates information on sustainability related regulations, news and events, training and internship opportunities. The Steering Group will continue to expand the Portal to incorporate more data from the other places (including the GBA).
- (iii) Financial supervision data: The Outline Development Plan for the GBA has stipulated the establishment of a GBA financial supervision, coordination and communication mechanism to enhance financial regulators' cross-boundary cooperation in respect of the supervision, monitoring and analysis of capital flows. It also strengthens the mechanism for supervisory cooperation and information exchange relating to anti-money laundering, counter-terrorist financing and anti-tax evasion in Guangdong, Hong Kong and Macao for jointly safeguarding the security of the financial system. Hong Kong has already established a communication mechanism with the Mainland and Macao, with tripartite meetings

on anti-money laundering and counter-financing of terrorism (AML/CFT) held from time to time to exchange views on different topics as permitted by the law.

The Government and financial regulators will continue to strengthen the collaboration and communication with other GBA cities to deepen financial co-operation in the GBA in an orderly manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)099

(Question Serial No. 1654)

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 51 of the Budget Speech, the Financial Secretary has instructed the Hong Kong Monetary Authority (HKMA) to maintain close communication with banks and the commercial sectors, adopt an accommodating manner to help enterprises tide over their liquidity needs, and refrain from demanding repayment of loans due to a fall in collateral value. In this connection, will the Government inform this Committee of the following:

1. In the past 12 months, what is the number of cases of demanding loan repayment due to a fall in non-residential collateral value? What is the current number of negative equity cases caused by a fall in non-residential collateral value?
2. Apart from adopting an accommodating manner, what measures do the HKMA and banks have for assisting small and medium enterprises to tackle capital-flow problems and demands for loan repayment?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 24)

Reply:

- (1) On property mortgage, the Hong Kong Monetary Authority (HKMA) issued a circular to banks in December 2023 which has made clear that, even if there is a decline in the value of the underlying properties, banks should not demand early repayments so long as the borrower continues to make mortgage payments on schedule. For corporates with credit facilities that are backed by properties (whether residential or non-residential properties) as collateral, banks will take into account the borrowers' credit condition and repayment ability when performing periodic credit reviews. Banks will not adjust a credit limit merely due to a decline in the collateral value. In the event that banks decide to adjust a borrower's credit limit, they will notify the customers in advance and communicate with them to provide them with sufficient time for preparation.

The HKMA at present regularly collects only mortgage data relating to residential properties, and will actively consider collecting loan data relating to non-residential collaterals.

- (2) As small and medium-sized enterprises (SMEs) are an important part of Hong Kong's economy, the HKMA has been paying close attention to SME lending. During the pandemic, the HKMA proactively coordinated with the banking sector and launched a series of support measures, including the launch of the Pre-approved Principal Payment Holiday Scheme (the Scheme) with the Banking Sector SME Lending Coordination Mechanism in May 2020 to support SMEs. An orderly exit from the Scheme commenced at end-July 2023, with the focus moving from tidying corporates over the pandemic to facilitating their return to normal repayment. SMEs that are eligible customers under the Scheme can opt for a partial principal repayment option that best suited their own circumstances. For those that are not financially able to transition to partial principal repayment, banks will continue to offer principal moratorium on a case-by-case basis. The HKMA has called on banks to be sympathetic in handling the funding needs of corporates which did not participate in the Scheme but are still facing cash flow pressure due to individual circumstances, subject to prudent risk-management principles. For example, banks can take reference from the partial principal repayment arrangement under the Scheme in providing suitable credit relief to these corporate customers.

To provide further assistance to SMEs in obtaining financing from banks and to support their continuous development, the HKMA together with the Banking Sector SME Lending Coordination Mechanism announced in March 2024 the introduction of 9 measures. These include the commitment from banks to follow the guidance issued by the HKMA in December 2023 in not demanding early repayments from mortgage borrowers who make mortgage payments on schedule, even if the prices of the mortgaged properties decrease. Moreover, for corporates with credit facilities that are backed by properties as collateral, banks will take into account these corporates' credit demand, overall financial position and repayment ability when performing periodic credit reviews, and will not adjust a credit limit merely due to a decline in the collateral value. In the event that banks decide to adjust borrowers' credit limit, banks will give at least 6 months for the customer to transition to the new credit limit, provided that the customer has been making payments on schedule and has not breached any loan covenant. For corporates facing challenges in their operations, banks will be sympathetic in providing suitable credit relief subject to prudent risk-management principles, including making reference to the principal moratorium arrangement under the Scheme in offering loan restructuring to ease customers' cash-flow pressure.

The HKMA will continue to maintain communication with the banking and commercial sectors to understand the funding needs of SMEs, and strengthen support for their continuous development.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)100

(Question Serial No. 2452)

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 has been reported that there is an upward trend in the number of cases of credit cards being stolen and used in various ways. Certain members of the public, after having their credit cards stolen and used, have raised “transaction disputes” with their card-issuing banks for investigation. However, some of the banks have, on the ground of “gross negligence” on the part of credit cardholders, refused to waive liability for fraudulent large-value purchases made with credit cards which have been stolen and used. Some cardholders have therefore lodged complaints with or sought assistance from relevant departments, such as the Hong Kong Monetary Authority (HKMA). In this connection, would the Government inform this Committee of the following:

1. What are the numbers of complaints or requests for assistance concerning credit card “transaction disputes” received by the HKMA in each of the past 3 years? (Please provide a breakdown by year and by card-issuing bank)
2. What are the numbers of complaints of fraudulent use of credit cards lodged in the past 3 years by cardholders who claimed that they had not authorised the purchases? (Please provide a breakdown by year and by card-issuing bank)
3. In 2023, the HKMA proposed 7 measures to enhance credit card protection. What are the details and the actual date of implementation?
4. As the criteria for “gross negligence” of cardholders vary among different banks, and the banks have the final right of interpretation over the “gross negligence” of cardholders, will the HKMA issue more specific guidelines on the definition of “gross negligence” with a view to prevent members of the public from being inappropriately held liable? If so, what are the details and timetable; if not, what are the reasons?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 140)

Reply:

(1) and (2)

The Hong Kong Monetary Authority (HKMA) received 397, 464, 856 and 59 complaints concerning credit card transactions disputes in 2021, 2022, 2023 and the first two months of 2024 respectively. Among these cases, the number of complaints concerning unauthorised transactions were 329, 391, 810 and 52 respectively. The HKMA maintains the information of individual banks for internal reference.

(3) and (4)

The HKMA has been requiring card-issuing banks to implement effective measures to ensure the security of credit card transactions in order to protect customer interests. In view of the changing patterns of credit card usage by customers and the growing number of related unauthorised transactions involving frauds and scams, the HKMA, after deliberation with a dedicated taskforce of the banking industry, issued a set of comprehensive guidance (the guidance) with 33 measures in April and June 2023 to enhance protection of credit card customers in four areas. These include customer empowerment; customer support, communication and education; unauthorised transactions handling and security; and responsible borrowing. For example, customers can choose whether to undertake card-not-present transactions (including online card transactions) with their credit cards and the related transaction limits. There is additional authentication for customers binding credit cards with new contactless mobile payment services. Customers can choose an alternative authentication factor apart from SMS one-time-password (e.g. biometric authentication) for transactions, and will receive notifications for card-present transactions with higher risks.

The guidance also include the principles for handling of unauthorised credit card transactions. When customers seek assistance from banks regarding credit card frauds, banks should adopt a pragmatic and empathetic approach to assist the customers, and handle the cases based on the actual circumstances. The guidance also reiterates that banks must observe all relevant requirements and have proper internal systems and controls in place to manage the risks associated with credit card business, including the prevention of, detection of, and response to fraudulent transactions. The guidance requires that, if customers have already made reasonable endeavours to safeguard their credit cards and related information (e.g. authentication factors) and reported unauthorised credit card transactions to banks as soon as possible, banks when considering the losses arising from the cases should give full consideration to the efforts reasonably made by the customers under the circumstances in avoiding the unauthorised transactions, and should also take into account the actual circumstances and background of customers (e.g. customers of disadvantaged groups).

The banking industry has responded positively to the measures covered by the guidance. All card-issuing banks have already implemented all the safeguard measures, save for individual banks which still need time to handle some measures involving complicated computer system changes.

To raise the public awareness of credit card frauds and scams, and to alert the public of the latest modus operandi of fraud, the HKMA has introduced a series of public education initiatives, including launching promotional video clips, social media posts and the slogan “Beware of Fraudulent Links”, etc. In addition, the HKMA has engaged the industry and other stakeholders in strengthening public education, so as to enhance customers’ ability to safeguard their credit card information and protect themselves against credit card frauds and

scams. The HKMA, in collaboration with the Hong Kong Association of Banks, launched the Anti-Scam Consumer Protection Charter (the Charter) in June 2023, with the participation of 23 card issuing banks and 15 major merchants across different sectors, and received the full support from the Hong Kong Police Force and the Consumer Council. Under the Charter, participating institutions have committed not to send instant electronic messages to customers with embedded hyperlinks to request for personal and credit card information online, and to convey consumer education messages to the public through various channels.

To heighten the vigilance of customers and members of the public against credit card frauds, the HKMA will continue to work with the industry and other stakeholders in further reinforcing public education to enhance customers' ability to safeguard their credit card information and take precautions against credit card frauds.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)101

(Question Serial No. 2971)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 82 of the 2024-25 Budget Speech, the Government will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme in the first half of this year. In this connection, would the Government inform this Committee of:

1. the total expenditure to be incurred by the scheme;
2. whether subsidies under the scheme will be granted in a lump sum or in instalments;
3. whether any assessment team will be formed under the scheme, and the assessment criteria;
4. whether there is any funding period for the scheme, and if so, the details;
5. whether there is any time frame for commercialising the outcomes of projects under the scheme, and if so, the details?

Asked by: Hon LEUNG Tsz-wing, Dennis (LegCo internal reference no.: 15)

Reply:

Drawing on the successful experience in the implementation of the Fintech Proof-of-Concept Subsidy Scheme launched in 2021 and 2022 respectively, the Government will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme (Subsidy Scheme) with a total provision of \$10 million to provide early-stage funding support for green fintech, thereby facilitating commercialisation and fostering the development of new green financial technology (Fintech) initiatives. The initial estimation is that the Subsidy Scheme should be able to support about 50 proof-of-concept projects, with eligible product offerings covering environmental, social and governance (ESG) data and analytics, ESG disclosures and regulatory reporting, climate risk modelling and assessment, green digital finance and investments, carbon credit trading and analytics, etc. Beneficiaries include green Fintech companies as well as enterprises adopting these companies' innovative products.

The daily operation of the Subsidy Scheme (including processing applications, monitoring the implementation progress of approved projects, arranging disbursement, launching promotion, etc.) will be carried out by an implementation agent. The implementation agent will examine the funding applications and submit them to a multi-disciplinary advisory panel for approval. The implementation agent will be required to make regular reports to the Financial Services and the Treasury Bureau on the operation of the Subsidy Scheme.

We are proceeding with procedures for identifying the implementation agent, and will finalise such details as application eligibility, requirements, subsidy ceiling, etc., with a view to launching the Subsidy Scheme in the first half of 2024.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0733)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government is dedicated to driving excellence and solidifying Hong Kong as a leading global family office hub. It is mentioned under Matters Requiring Special Attention in 2024-25 that the Financial Services Development Council will offer ongoing training, knowledge exchange and networking opportunities for family office practitioners and next-generation asset owners through the Hong Kong Academy for Wealth Legacy (HKAWL) established under its purview.

Besides, the provision for 2024-25 is \$15.8 million (49.8%) higher than the revised estimate for the preceding year. The additional funding is provided for, among others, supporting the operation of the HKAWL.

In this connection, please inform this Committee of:

1. the manpower and expenditure involved in supporting the operation of the HKAWL;
2. the details of the training and knowledge exchange scheduled for 2024-25 and, in particular, the HKAWL's arrangements regarding non-traditional and next-generation wealth management, such as philanthropy as well as arts and culture; and
3. the details of partnerships formed as at March 2024, following the HKAWL's indication at its inauguration in November 2023 that strategic partnerships would be established with professional service providers, academia, wealth asset owners, etc.

Asked by: Hon LIAO Cheung-kong, Martin (LegCo internal reference no.: 11)

Reply:

- (1) Among the \$47.5 million Government subvention to the Financial Services Development Council (FSDC) in 2024-25, \$3 million will be reserved for the Hong Kong Academy for Wealth Legacy (HKAWL). The FSDC will also absorb the manpower and costs of the HKAWL's daily operation with its available resources.

(2) and (3)

The HKAWL is committed to invigorating a vibrant ecosystem for family offices (FOs) worldwide, providing next-generation wealth owners and wealth management professionals with collaboration, networking, knowledge sharing and talent development opportunities. Since its establishment in November 2023, the HKAWL has co-organised a FO symposium in collaboration with the Private Wealth Management Association and the Hong Kong Trade Development Council on 25 January 2024 to discuss topics relating to family wealth, family business and family talent legacies. On 4 March 2024, the HKAWL participated in the Asia Pacific Family Office Development Forum, co-hosted by Metro Broadcast Corporation Limited, Hang Seng University and Chinese Family Succession Research Centre, to explicate the latest developments of promoting FOs in Hong Kong. The HKAWL will also collaborate with the Hong Kong Council of Social Service to co-host a policy dialogue session titled “Emerging Trends of Philanthropy and Impact Investment in Asia: Opportunities and Challenges” during the “S+ Summit cum Expo” in May 2024.

The HKAWL will explore how to incorporate impact investing and philanthropic initiatives into the overall wealth management framework, and convene networking events seeking to highlight the transformative power of using wealth for social betterment and foster understanding of philanthropy and impact investing. The HKAWL also plans to organise activities to provide FOs with unique opportunities for cultural appreciation and investment in arts and cultural activities, while drawing the attention of FOs around the world to the thriving art ecosystem in Hong Kong at the same time.

The HKAWL will, leveraging previous and upcoming collaborative engagements, consider suitable organisations with which strategic partnerships can be established.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)103

(Question Serial No. 0734)

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 Matters Requiring Special Attention in 2024-25, the Bureau will promote the development of fintech in Hong Kong, including issuing a policy statement on application of artificial intelligence (AI) in the financial market. Also under Programme (1), there will be a decrease of 3 posts in 2024-25. In this connection, please advise this Committee on:

1. details of and reasons for the decrease of 3 posts;
2. the manpower and expenditure involved in the studies and the issuance of a policy statement on application of AI in the financial market;
3. regarding the risks and issues arising from the application of AI in the financial market, such as the consideration of ethical standard for AI in finance, AI technology risks and system security, financial data security and personal data protection, as well as potential financial risks arising from AI technology, does the Bureau have any measures to address them? If so, what are the details? If no, what are the reasons?

Asked by: Hon LIAO Cheung-kong, Martin (LegCo internal reference no.: 12)

Reply:

- (1) There will be a decrease of 3 posts in the Financial Services Branch (FSB) in 2024-25 from the Administrative Officer (AO), Personal Secretary (PS) and Workman II (WMII) Grades respectively. Among them, 2 posts from the AO and PS grades are time-limited posts, which provide support on matters of the Mandatory Provident Fund System reform measures, to be expired in 2024-25. Since the reform is still in progress, FSB will conduct necessary manpower redeployment in accordance with work priorities and utilize the resources effectively, with a view to meeting the continued service needs.

Besides, having reviewed the operational needs of the FSB, a post from the WMII grade will be deleted in 2024-25.

(2) and (3)

Artificial intelligence (AI) encompasses different technologies and develops machines and software that simulate human intelligence, including machine learning, natural language processing, speech recognition and robotics. Recently, there have been significant developments in AI, especially the application of Generative AI. In the financial services industry, AI could be deployed to many aspects in order to enhance different types of financial services, such as research, data analytics, risk management and customer services.

As an international financial centre, Hong Kong is open and inclusive towards the application of AI in the financial market. To encourage the financial services industry to adopt AI in a responsible manner, we will issue a policy statement to set out the Government's policy stance and approach on application of AI in the financial market. Specifically, the Government will create a healthy and sustainable market environment, thereby facilitating the financial services industry to capture the opportunities brought about by AI while safeguarding the overall financial security. The financial services industry must handle the potential risks arising from AI application properly, including cybersecurity, data privacy, intellectual property, investor protection, as well as data and system management, while human judgement and analysis are indispensable for addressing changes in the financial market. At present, the potential risks posed by AI have been suitably reflected in the relevant regulations and guidelines issued by financial regulators. To keep pace with the international practice and latest developments of AI, financial regulators will continuously review and update the relevant regulations and guidelines.

The Financial Services Branch will utilise the existing resources and manpower to handle the relevant work of the above policy statement.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0013)

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 will issue \$120 billion worth of bond in 2024-25, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond, and \$20 billion worth of green bonds and infrastructure bonds to achieve financial inclusiveness and enhance a “sense of participation” in infrastructure and sustainable development among the public. In this connection, would the Government inform this Committee of:

1. what specific projects will be funded by the proceeds from the green bonds and infrastructure bonds issued by the Government; how these projects meet the green or infrastructure criteria;
2. how to ensure that the proceeds from the issuance of bonds will be effectively used for their intended purposes and that appropriate debt management measures are in place to prevent liability risks;
3. how to ensure that the proceeds can promote sustainable development rather than merely meeting immediate fiscal needs; and
4. whether any mechanism will be put in place to track the usage of bond proceeds and evaluate the economic effectiveness?

Asked by: Hon LO Wai-kwok (LegCo internal reference no.: 12)

Reply:

The Government announced in the 2023-24 Budget to expand the scope of the Government Green Bond Programme (GGBP) to cover sustainable finance projects and take forward the Infrastructure Bond Programme (IBP) to raise capital for infrastructure projects, thereby facilitating the early completion of projects for the good of the economy and people's livelihood. In the 2024-25 Budget, the Government announced the plan to issue \$120 billion worth of bond under the IBP and the GGBP (to be renamed as the Government Sustainable Bond Programme (GSBP)) in 2024-25, of which \$70 billion will be retail tranche

that includes \$50 billion worth of Silver Bond and \$20 billion worth of retail green bonds and infrastructure bonds. The retail tranche will be issued for public subscription to enhance a “sense of participation” in infrastructure and sustainable development among the public. The remaining \$50 billion will be institutional tranche, with a certain portion to be earmarked for priority investment by Mandatory Provident Fund Schemes. All bond proceeds will be credited to the Capital Works Reserve Fund (CWRP) for funding eligible projects supported by the CWRP. As highlighted in the 2024-25 Budget, the proceeds from bond issuance will not be used for funding government recurrent expenditure.

The IBP will cover projects under the Government’s capital works programme of the CWRP (except for those included or expected to be included in the GSBP), including projects under major infrastructure initiatives such as the Northern Metropolis. The GSBP covers the 9 eligible categories under the Green Bond Framework (Framework), namely renewable energy; energy efficiency and conservation; pollution prevention and control; waste management and resource recovery; water and wastewater management; nature conservation / biodiversity; clean transportation; green buildings; and climate change adaptation. The Framework has been assured by an independent provider of Environmental, Social and Governance (ESG) research and services. The Government obtains an issuance level (pre-issuance) external review from an independent, qualified third party for each bond issued under the Framework and releases a Green Bond Report on an annual basis, providing information on the allocation of the bond proceeds and the expected environmental benefits of the projects financed, with a qualified third party engaged to assure the contents of the Report. Regarding sustainable projects, it is commonly accepted in the international capital markets that the concept of sustainable finance covers the financing of green projects and social projects, as well as financial instruments with the interest rates linked to the overall sustainability performance of the issuer. When allocating the bond proceeds to individual sustainable projects covered by the CWRP, the Government will ensure a proper allocation by making reference to the latest relevant international standards and principles, as well as the Government’s environmental policies and targets.

A Steering Committee chaired by the Financial Secretary will be responsible for the implementation and monitoring of the IBP and GSBP. The Steering Committee will include members from the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, the Development Bureau and the Hong Kong Monetary Authority. The bond issuance parameters and the individual projects supported by the bond proceeds will be determined taking account of the actual market conditions at the time of arranging the bond issuance, and will be submitted for approval by the Steering Committee.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0026)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The provision for the Financial Services Development Council (FSDC) in 2024-25 is \$15.8 million or 49.8% higher than the revised estimate for 2023-24. It is stated in the Controlling Officer's Report that the additional funding is provided to the FSDC for supporting the operation of the Hong Kong Academy for Wealth Legacy (HKAWL) and strengthening the FSDC's policy research and market promotion efforts. In this connection, would the Government inform this Committee of the following:

1. Of the provision of \$47.5 million allocated to the FSDC, what are the respective proportions to be spent on emoluments, the HKAWL, policy research, and market promotion?
2. In relation to policy research, does the FSDC outsource the related research work or run its own research team?
3. Regarding the recent claim that Hong Kong has become a "ruin" of a financial centre, will the FSDC conduct a research on this claim?
4. Given that Hong Kong lacks a think tank specialising in the study of financial development, has the Financial Services and the Treasury Bureau explored setting up a separate finance think tank or turning the FSDC into a finance think tank?

Asked by: Hon MA Fung-kwok (LegCo internal reference no.: 12)

Reply:

- (1) In 2024-25, the Government's subvention for the Financial Services Development Council (FSDC) will be \$47.5 million. Expenditure on the FSDC's personal emoluments accounts for 49% (\$23.4 million). The amount to be used for the Hong Kong Academy for Wealth Legacy accounts for 6% (\$3 million). The expenditure on policy research accounts for 6% (\$3 million), while that on market promotion 15% (\$7.2 million).

(2), (3) and (4)

As a high-level, cross-sectoral advisory body, the FSDC actively engages with the industry to formulate proposals to promote the further development of Hong Kong's financial services industry and to map out strategic directions for development. The FSDC's policy research reports offer in-depth analyses and discussions on various financial areas. Key research topics include environmental, social and governance; FinTech; asset and wealth management; mutual market access, as well as emerging financial areas covering green and sustainable finance, family offices, virtual assets, etc.

Since its inception in 2013 up to end-February 2024, the FSDC has published 60 policy research reports and 18 publications/documents, covering a wide spectrum of topics on various financial services areas. Among the publications concerned, data collection of 2 policy research reports was carried out by independent market research firms commissioned by the FSDC, while 3 publications/documents were prepared in collaboration with independent third-party research institutes. The rest are handled by the Policy Research Unit of the FSDC, which currently has 8 policy researchers.

Besides policy researches, the FSDC also conducts a series of marketing and industry outreach activities to promote Hong Kong as a safe and reliable location providing a conducive environment for business, fund raising and investment, and to rebut misconceptions about the stability and resilience of Hong Kong's financial market. In the recent exchange of views between Mr Damien Allen Green, Board Member of the FSDC, and the Secretary for Financial Services and the Treasury, the FSDC has made reference to empirical evidence in dismissing assertions that Hong Kong has become a "ruin" of an international financial centre. The relevant video was uploaded onto the Financial Services and the Treasury Bureau's social media page on 24th February 2024.

The FSDC's policy researches and advocacies are similar to the functions of a financial think tank. The Government will continue to collaborate with the FSDC, the industry and international partners in promoting the development of Hong Kong's financial services industry.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)106

(Question Serial No. 0061)

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 recent years, Hong Kong has been actively attracting large-scale family offices abroad to establish or expand their operations in Hong Kong. In this connection, will the Government inform this Committee of the following:

1. Invest Hong Kong set up a dedicated FamilyOfficeHK team in 2021 to promote family office business in Hong Kong. Please provide details on the number of related enquiries from different regions received by the dedicated team since its establishment. How many family offices have established their operations in Hong Kong with the assistance of the team? What was the amount of direct investment brought in by them?
2. Please provide details on the number of regions or countries in which the dedicated team has set up offices so far, and state the objectives of future work.
3. The HKSAR Government is going to organise the second Wealth for Good in Hong Kong Summit with the theme on family office business this year. Please provide details on the overall budget for organising the summit.
4. Will the Department set a key performance index (KPI) in respect of its performance in attracting foreign investment of strategic importance to the economic development of Hong Kong, including the offices established, the foreign investment attracted, etc.?

Asked by: Hon MA Fung-kwok (LegCo internal reference no.: 8)

Reply:

The Government has been actively promoting the development of family office business in Hong Kong to help the industry seize new business opportunities. With funding support of the Financial Services and the Treasury Bureau (FSTB), Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) in 2021 to provide one-stop support services to family offices (FOs) and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment up to end-March 2024, the

dedicated team received more than 650 enquiries on setting up FOs in Hong Kong, mainly from the Mainland, ASEAN countries, the Middle East, Europe and the Americas, and assisted 64 FOs to set up or expand their business here. Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong. As the amount of FOs' direct investments involves commercially sensitive information, it is not appropriate to disclose the details.

The dedicated team has established offices in Beijing, Brussels, Dubai and Singapore, and plans to deploy manpower in the Mainland (e.g. Shanghai) to tell the good story of Hong Kong and showcase Hong Kong's strengths as a FO hub. In 2023, the dedicated team conducted over 150 investment promotion activities (e.g. roundtables, seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia, the Middle East, Europe, the Americas and Australia) to promote Hong Kong's competitiveness and unique advantages as a FO hub through diversified and face-to-face interactions.

Following the success last year, FSTB and InvestHK organised the second Wealth for Good in Hong Kong Summit on 27 March 2024, an exclusive event for global FOs. Themed "Growing with Certainty Amid Growing Uncertainty", the Summit brought together influential FOs from around the world to engage with the industry, asset owners and wealth successors to explore investment opportunities and effective wealth management amid the volatile global economic climate, as well as showcasing Hong Kong's long-standing vision as a leading hub for FOs and international asset and wealth management. The estimated expenditure of the Summit is \$9.5 million.

The 2022 Policy Address announced the Government's target to increase inward investment by attracting at least a total of 1 130 companies to set up or expand their operations in Hong Kong from 2023 to 2025 (an increase of 16% over the annual average number in 2020 and 2021), thereby bringing in direct investment of at least \$77 billion. In 2023, InvestHK assisted 382 enterprises to set up or expand their operations in Hong Kong. Premising on the good trend, InvestHK will spare no effort in attracting Mainland and overseas enterprises to make investments in Hong Kong, and continue to deliver the performance indicators set out in the 2022 Policy Address. For FOs, the Government's objective is to facilitate no less than 200 FOs to set up operations or expand their business in Hong Kong by end-2025.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1290)

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 development of the bond market, it is proposed in the Budget Speech that the scope of the Government Green Bond Programme be expanded to cover sustainable finance projects and the Infrastructure Bond Scheme be established to raise capital for infrastructure projects...A borrowing ceiling of \$500 billion will be set for these two programmes...and these two programmes will gradually replace the existing Government Bond Programme.

In addition, in 2024-25, the Government will issue \$120 billion worth of bond, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond, and \$20 billion worth of green bonds, and infrastructure bonds to achieve financial inclusiveness and enhance a “sense of participation” in infrastructure and sustainable development among the public. In this connection, would the Government inform this Committee of the following:

1. The sums borrowed under the Government Green Bond Programme and the Infrastructure Bond Scheme will be credited to the Capital Works Reserve Fund. Does this mean that the sums borrowed will not be used for funding projects other than capital works?
2. Our country plans to issue ultra-long bonds for funding infrastructure development. Has the Hong Kong Government conducted research on or considered issuing similar bonds? What is the tenor of the bonds to be issued under the upcoming Infrastructure Bond Scheme?
3. In view of the overwhelming public interest in the bonds issued by the Government, will the upcoming infrastructure bonds be open for public subscription? If yes, will the Government set a ratio of institutional subscription to public subscription? If no, how will the Government enhance the sense of participation in infrastructure and sustainable development among the public?

Asked by: Hon MA Fung-kwok (LegCo internal reference no.: 20)

Reply:

The 2023-24 Budget has announced the expansion of the scope of the Government Green Bond Programme (GGBP) to cover sustainable finance projects and take forward the Infrastructure Bond Programme (IBP) to raise capital for infrastructure projects, thereby facilitating the early completion of projects for the good of the economy and people's livelihood. The GGBP will be renamed as the Government Sustainable Bond Programme (GSBP), and all proceeds raised under the GSBP and the IBP will be credited to the Capital Works Reserve Fund (CWRF) for funding eligible projects supported by the CWRF. The proceeds will not be used for projects outside the CWRF.

The Government plans to issue \$120 billion worth of bond under the IBP and the GSBP in 2024-25, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond and \$20 billion worth of green bonds and infrastructure bonds, all of which will be available for public subscription to enhance a "sense of participation" in infrastructure and sustainable development among the public. The remaining \$50 billion will be institutional tranche, with a certain portion to be earmarked for priority investment by Mandatory Provident Fund Schemes. As for long-tenor bonds, the Government is committed to promoting the diversified development of the bond market and has issued government bonds with tenors of up to 20 years and 30 years under the Government Bond Programme and GGBP respectively. Making reference to past issuance experience, and taking into account the market demand for bonds of different tenors, we expect the tenors of the bonds to be issued under the IBP and GSBP will mostly fall within 1 to 30 years. As regards the actual issuance parameters, such as the tenor, under the IBP and the GSBP will be drawn up taking account of the actual market conditions at the time of arranging the bond issuance, and will be submitted for approval by the Steering Committee chaired by the Financial Secretary overseeing the two programmes.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)108

(Question Serial No. 0765)

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 this Programme, one of the matters requiring special attention of the Financial Services Branch in 2024-25 is to “enhance Hong Kong’s regulatory regime for combatting money laundering and terrorist financing by, inter alia, overseeing the implementation of a licensing regime on virtual asset service providers and the relevant measures, extending the regulatory scope to cover over-the-counter trading of virtual assets and stablecoin issuers, stepping up the efforts in investor education and participate actively in inter-governmental organisations such as the Financial Action Task Force”. Please inform this Committee of the expenditure and manpower involved in the efforts to oversee the implementation of a licensing regime on virtual asset (VA) service providers, regulate over-the-counter trading of VA and stablecoin issuers, and carry out promotion and education efforts targeted at investors in the previous year of 2023-24. Was there sufficient manpower for the licensing work? As for the new financial year 2024-25, what are the estimated expenditure and manpower involved in relevant work? Will additional manpower be needed for licensing to meet industry demands? At the same time, will there be additional resources to step up the efforts in investor education and promotion for VA trading?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 34)

Reply:

The Government issued the Policy Statement on Development of Virtual Assets (VA) in Hong Kong in October 2022, setting out the commitment to enhancing the VA regulatory framework under the “same activity, same risks, same regulation” principle. In this regard, the Government has amended the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) to introduce a licensing regime for VA service providers, ensuring that VA trading platforms (VATPs) comply with relevant international requirements on anti-money laundering and counter-terrorist financing while protecting investors. The licensing regime commenced operation in June last year. As of end-March 2024, in addition to the 2

existing licensed VATPs, the Securities and Futures Commission (SFC) is processing 24 VATP applications.

To further enhance the regulatory framework, the Financial Services and the Treasury Bureau (FSTB) launched a public consultation from 8 February to 12 April this year on the legislative proposals to introduce a licensing regime for providers of VA over-the-counter trading services. Under the proposals, any person who conducts a business in providing services of spot trade of any VA in Hong Kong has to be licensed by the Commissioner of Customs and Excise, and fulfil the statutory and regulatory requirements. Separately, FSTB and the Hong Kong Monetary Authority (HKMA) jointly issued a public consultation paper to collect views from 27 December 2023 to 29 February 2024 on the legislative proposals to regulate stablecoin issuers. Under the proposals, issuers of fiat-referenced stablecoins have to fulfil the specified requirements and obtain a licence from the HKMA. For the above two public consultation exercises, we will upon analysing the views received commence legislative work as soon as practicable.

The relevant expenditure and manpower of the SFC and the HKMA are incorporated in their overall estimates. FSTB handles the work involved with existing manpower and resources. There is no itemised breakdown of expenditure.

For investor education, the Investor and Financial Education Council (IFEC) under the SFC is the dedicated public organisation for improving investor and financial education in Hong Kong. The SFC and IFEC have made proactive VA investor education efforts, disseminating information about VATPs and reminding the public of the risks of trading on unlicensed platforms. They will make use of short video clips, community outreach activities, social media platforms, media interviews, etc., to enhance the public's understanding of the concepts of different investment tools, as well as their knowledge and awareness of relevant risks and potential fraud (including the need to be alert to unlicensed or fraudulent VATPs). The SFC also works closely with the Police to actively promote anti-fraud messages in the community as well as publishes anti-fraud and virtual asset-related posts and advertisements on social media and search engines. In 2023-24, the SFC's expenditure in relation to the IFEC's investor education programmes was about \$28.81 million. In 2024-25, the estimated expenditure is about \$31.81 million.

In addition, the Financial Secretary has also established the Task Force on Promoting Web3 Development in July 2023, inviting members (comprising industry experts and professionals, as well as representatives of policy bureaux and financial regulators concerned) to provide recommendations to the Government. Under the Task Force, a subcommittee on education, talent training and promotion has been set up, responsible for discussing investor education measures relating to VA.

For promotion, the investment promotion work of the dedicated Fintech team (Fintech team) under Invest Hong Kong covers the VA sector. Example of the efforts include 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 conducting marketing through public relations and digital marketing channels. As of end-2023, the Fintech team has received expressions of interest from over 80 VA-related Mainland and foreign companies in establishing their presence in Hong Kong, including 25 which plan to set up their operations in Hong Kong. In 2024-25, the estimated expenditure on sponsoring events related to the VA sector is about \$1.9 million. As for other

promotion work, the related expenditure is incorporated in the overall estimates. There is no itemised breakdown of expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)109

(Question Serial No. 0821)

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 HKSAR Government strives to create strong impetus for growth in the financial services industry. The Financial Secretary mentioned in paragraph 147 of the Budget Speech that “to bolster the competitiveness and advantages of the financial services industry in Hong Kong, the Government will earmark \$100 million to promote the sustainable development of financial services. This includes green and sustainable finance, fintech, asset and wealth management, headquarters business, and risk management etc.” What are the specific work plan and timetable relating to the funding of \$100 million? What are the key performance indicators?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 9)

Reply:

The “funding for promoting and facilitating the development of the financial services sector” is a general non-recurrent item which, through launching financial support schemes, organising promotion events and forums, supporting talent training etc., provides support to further promote and facilitate the development of the financial services sector on various fronts. It covers a number of measures/funding schemes benefitting the financial services sector, including –

- (a) **asset and wealth management:** the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (Grant Scheme) provides funding support for open-ended fund companies (OFCs) set up or re-domiciled to Hong Kong and real estate investment trusts (REITs) listed in Hong Kong. As of end-March 2024, the Grant Scheme has approved 211 OFC and 1 REIT applications and a total of some \$118 million has been granted. Since the introduction of the Grant Scheme, the number of OFCs registered in Hong Kong has increased substantially from 14 in May 2021 to 302 in March 2024, effectively promoting the development of the funds sector;

- (b) **green and sustainable finance:** the Green and Sustainable Finance Grant Scheme (GSFGS) provides funding support for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. As of early-March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. Separately, the Pilot Green and Sustainable Finance Capacity Building Support Scheme was launched for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. As of early-March 2024, about 2 200 reimbursement applications have been approved, involving a total reimbursement amount of around \$120 million;
- (c) **insurance sector:** the Pilot Insurance-linked Securities (ILS) Grant Scheme provides subsidy to cover upfront costs of eligible ILS issuances in Hong Kong, serving to attract issuing institutions and nurture relevant professional talents. Since the implementation of the Scheme in May 2021, the Insurance Authority has approved 3 applications and provided total financial support of around \$28 million. Along with the dedicated ILS regulatory regime rolled out in 2021, these measures have thus far facilitated the issuance of 4 catastrophe bonds in Hong Kong, with total issuance amount of \$4.4 billion, securing protection against losses inflicted by typhoons and earthquakes in different places around the world, thereby promoting expansion of risk management channels and diversified development of the insurance market;
- (d) **Fintech:** the Pilot Scheme on Training Subsidies for Fintech Practitioners provides practitioners who have successfully attained Fintech professional qualifications with tuition financial support. So far, around 350 practitioners have enrolled in the relevant training courses. Separately, the GBA Fintech Two-way Internship Scheme for Post-secondary Students funds students from Hong Kong and the Mainland to participate in short-term internship in Fintech companies, with a view to enhancing talent exchange and enlarging the Fintech talent pool. The whole internship scheme will provide 150 internship positions with the participation of around 30 Fintech companies in Hong Kong and the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The winter internship scheme commenced in January 2024, while details of the summer internship scheme will be announced in the second quarter of 2024;
- (e) **GBA financial development:** to enhance Hong Kong youngsters' understanding of the GBA financial market, we organised two rounds of "Set Sail for GBA – Scheme for Financial Leaders of Tomorrow" programme from 2021 to 2023, facilitating more than 150 young people to learn more about the opportunities in the GBA and make preparations for their future career. The first round of the scheme was conducted in November 2021 to March 2022 in Hong Kong, including sharing sessions by senior leaders in corporates, visits to local financial institutions, soft-skill workshops and job-shadowing of senior leaders in corporates. The second round was co-organised by the Financial Services and the Treasury Bureau and the Shenzhen Municipal Financial Regulatory Bureau from June to July 2023, which provided university students of Hong Kong with summer internship opportunities in financial institutions in Shenzhen; and
- (f) **financial mega events:** the Asian Financial Forum (AFF) is Hong Kong's annual flagship event and a key event for the region's financial community, gathering thousands of officials, representatives of multilateral organisations, and financial and business leaders from all over the world to participate in discussions of global economic and

financial issues, as well as explore collaboration opportunities. The AFF helps reinforce Hong Kong's status as an international financial centre.

The 2024-25 Budget has announced that the Government will earmark \$100 million under the item to promote the sustainable development of financial services. We will continue to listen to the industry's views and discuss how to enhance existing measures and introduce new measures for specific policy areas (e.g. development of headquarters economy), with a view to strengthening the long-term development of the financial services sector and related professional services. Specific measures will be announced as appropriate in due course.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0826)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary said in paragraph 78 of the Budget Speech, “The Government has so far provided subsidies to eligible bond issuers and loan borrowers for the issuance of more than 340 green and sustainable debt instruments in Hong Kong through the Green and Sustainable Finance Grant Scheme totalling US\$100 billion, enriching our green and sustainable finance ecosystem. We propose to extend the scheme, which is due to expire in mid-2024, to 2027, and expand the scope of subsidies to cover transition bonds and loans. This will encourage related industries in the region to make use of Hong Kong’s transition financing platform as they move towards decarbonisation.” What is the estimated expenditure for extending the scheme for 3 years? How will it benefit the development of Hong Kong’s green and sustainable finance?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 3)

Reply:

To attract more green and sustainable bond issuers and borrowers to use Hong Kong's fundraising platform and professional service, the Government launched the three-year Green and Sustainable Finance Grant Scheme (GSFGS) in May 2021 with a total provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services, with a view to encouraging more green financing activities to be conducted in Hong Kong and attracting more financial and professional service providers including external reviewers to set up or expand their business in Hong Kong. As of early March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion. The GSFGS has benefited over 300 bond issuers and loan borrowers, covering both local and non-local enterprises mainly from the real estate, construction and energy sectors, thereby enriching the green and sustainable finance ecosystem in Hong Kong and promoting the overall development of the local green finance market.

The 2024-25 Budget proposes to extend the GSFGS, which is due to expire in mid-2024, by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. We will continue to review the implementation of the GSFGS from time to time, and introduce appropriate enhancements taking account of market developments, industry feedback and recommendations, etc. The Hong Kong Monetary Authority will announce the details in due course.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0109)

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 tie in with Hong Kong's vision to develop into a centre for green and sustainable finance, has the Government considered formulating targeted policies that assist small and medium enterprises (SMEs), particularly manufacturers, to expedite green transformation of their businesses by making use of green finance instruments? These include, among others, considering to further lower the applicable thresholds of the Green and Sustainable Finance Grant Scheme; providing financial institutions with subsidies to cover the expenses (e.g. interests and fees) on innovative financing products such as green concessionary loans targeted at SMEs; supporting organisations such as business associations in conducting researches, training and promotion activities related to environmental, social and corporate governance (ESG); as well as providing subsidies in the form of match funds for SMEs to implement projects that enhance their ESG performances. If yes, what are the details? What are the respective expenditure and manpower to be involved in the relevant work? If no, what are the reasons?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 56)

Reply:

Small and medium enterprises (SMEs) are an important part of Hong Kong's economy. The Government has been taking a multi-pronged strategy to support the green transformation of SMEs. Specific measures are set out below.

Green and Sustainable Finance Grant Scheme (GSFSGS)

To attract more green and sustainable bond issuers and borrowers to use Hong Kong's fundraising platform and professional service, the Government launched the 3-year GSFSGS in May 2021 with a total provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services, with a view to encouraging more green financing activities to be conducted in Hong

Kong and attracting more financial and professional service providers including external reviewers to set up or expand their business in Hong Kong. Since March 2022, the minimum loan size threshold in respect of applications for covering external review costs has been lowered from \$200 million to \$100 million, 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. As of early March 2024, the GSFGS has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong, involving a total underlying debt issuance of around US\$110 billion.

The 2024-25 Budget proposes to extend the GSFGS, which is due to expire in mid-2024, by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. We will continue to review the implementation of the GSFGS from time to time, and introduce appropriate enhancements taking account of market developments, industry feedback and recommendations, etc. The Hong Kong Monetary Authority will announce the details in due course.

Capacity Building

The Government launched in 2022 the 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. Upon completing eligible programmes or accomplishing relevant qualifications, applicants can apply for reimbursement of up to \$10,000. The Pilot Scheme helps alleviate the cost of personnel training for local industries (including SMEs) and assists them in building up professional teams and talent pool in green finance. It ties in with industry efforts on strengthening resilience to climate risks and seizing opportunities within the region. As of early March 2024, there were 63 eligible programmes and qualifications as provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc., and the list will continue to be updated. About 2 200 reimbursement applications have been approved, involving a total reimbursement amount of around \$12 million.

Sustainability Disclosure

Formed by relevant Government Bureaux, financial regulators and the Hong Kong Exchanges and Clearing Limited, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) launched in 2022 a Climate and Environmental Risk Questionnaire for Non-listed companies and SMEs. The Questionnaire is intended to assist the sustainability reporting processes of corporates concerned and raise their sustainability visibility to lenders, investors and supply chain clients. It also enables financial institutions' collection and assessment of company-level data for risk assessment and relevant business decisions. The digital version of the Questionnaire is available on the Steering Group's website to further facilitate reporting, and will support broader consent-based data sharing between corporates and financial institutions.

The Steering Group, in collaboration with the Hong Kong University of Science and Technology, launched greenhouse gas emissions calculation and estimation tools in February 2024. The tools are available for free public access on the Steering Group's website to

facilitate sustainability reporting by corporates and financial institutions in Hong Kong. They help equip SMEs with the means to manage their environmental footprint and encourage market participants to improve sustainable business practices.

We will continue to review the measures supporting SMEs' green transformation, listen to industry views and formulate suitable strategies. 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 -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0405)

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 Programme (1), the Financial Services Branch will promote the competitiveness and sustainable development of the stock market in the coming year. It is mentioned in the Budget Speech that a series of measures will be taken to enhance the stock market liquidity, including the establishment of the listing regime for specialist technology companies and the inclusion of the Saudi Arabia and Indonesia stock exchanges in its list of Recognised Stock Exchanges, which facilitates enterprises primary listed on the main market of these exchanges to seek secondary listing in Hong Kong. What are the effectiveness of such measures? In addition, an array of measures are under discussion and consultation, including enhancing the listing regime, improving the transaction mechanism and boosting investor services. What are the respective manpower and expenditures involved in the relevant work? Has any estimation been made on the effectiveness of the new measures in boosting the confidence of shareholders in entering the market? If yes, what are the details?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 28)

Reply:

As a leading international fundraising centre, the Government, the Hong Kong Exchanges and Clearing Limited (HKEX) and the Securities and Futures Commission (SFC) are committed to strengthening the breadth and depth of the Hong Kong fundraising platform, attracting different types of enterprises as well as investors from the Mainland and overseas to participate in investment and fundraising activities in Hong Kong.

In the past year, various market development measures were launched. Notably, HKEX launched the listing regime for specialist technology companies in March 2023 after consulting the market, facilitating large-scale specialist technology companies to list and raise funds through the new eligibility test. The regime currently covers 5 key specialist technology industries including next-generation information technology, advanced hardware and software, advance materials, new energy and environmental protection, and new food and

agriculture technologies. With our successful experience in allowing listing of pre-revenue biotechnology companies in Hong Kong, the listing regime for specialist technology companies help address the fundraising needs of enterprises at different development stages, thus facilitating technology companies to access international capital and expand their businesses, while enhancing Hong Kong's status as a premier listing venue for global innovative companies. Since the launch of the regime, HKEX has received 2 relevant listing applications, and will continue to maintain communication with a number of interested potential enterprises to assist them in listing and raising funds through the regime.

To further facilitate more overseas enterprises to list in Hong Kong, HKEX also included the Saudi Exchange and the Indonesia Stock Exchange into its list of recognised stock exchanges in September and November 2023 respectively, allowing companies listed in their main boards to apply for secondary listing in Hong Kong. The measure is conducive to further enriching market offering and providing investors with a wider selection of investment opportunities. HKEX will promote the channels for dual primary listings and secondary listings in Hong Kong and their advantages to relevant markets through various promotional activities this year.

The Government in collaboration with the SFC and HKEX will explore an array of measures to enhance market efficiency and liquidity, covering different aspects including listing regime, trading mechanism, investor services and market promotion. While the performance of Hong Kong's initial public offering and stock market is primarily influenced by external elements, we believe that the enhancement measures can improve market efficiency, which is conducive to boosting market transactions when the external environment and market sentiment gradually improve. 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 the expenditures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)113

(Question Serial No. 2357)

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 indicated in paragraph 9 of the Budget Speech that “for the year as a whole, the economy grew 3.2%. Incomes of the general public recorded growth in real terms.” The outlook for Hong Kong’s economic development is, however, not optimistic under the current global economic conditions, including global economic uncertainties, the US monetary policy, the impact of the relaxation and reform of Mainland policies on Hong Kong, as well as the recovery of local economic activities. In this connection, would the Government inform this Committee of the following:

1. Please provide the data and reasons for the Government’s assessment that the economy grew by 3.2%;
2. In view of the current external uncertainties, such as global geopolitical tensions that cause fluctuations in energy and major commodity prices, which in turn affect the costs of international trade as well as the logistics and transport, should the Government exercise caution when announcing the economic growth rate?
3. How will the Government promote high-quality development of the digital economy by strengthening Hong Kong’s financial co-operation with the Mainland in the coming year? If so, what are the specific tasks and what are the expected economic benefits to be brought to Hong Kong?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 4)

Reply:

In consultation with the Office of the Government Economist, the Census and Statistics Department and the Hong Kong Monetary Authority (HKMA), the reply to the 3 parts of the question is as follows:

- (1) In 2023, The Hong Kong economy staged a recovery in the aftermath of the pandemic, although the challenging external environment constrained the pace of recovery. Real Gross Domestic Product resumed growth of 3.2% in 2023, with the performance of major components enumerated as follows:
 - (i) In early 2023, consumer sentiment improved sharply following the removal of anti-epidemic measures in both the Mainland and Hong Kong. Improved labour market conditions, rising household income and the Government's various initiatives and activities also rendered support through the year. In 2023, private consumption expenditure rebounded by 7.3%. Overall investment spending turned to a 10.8% increase in tandem with the economic recovery.
 - (ii) With the resumption of normal travel in early 2023, visitor arrivals for the year bounced back sharply to about 34 million. Exports of travel services jumped more than six-fold and exports of transport services resumed a moderate increase in tandem, bringing about notable growth of 21.2% in total exports of services.
 - (iii) Nonetheless, heightened geopolitical tensions severely undermined economic confidence around the world. Central banks of the advanced economies raised interest rates sharply to tame inflation, tightening global financial conditions and dampening import demand for goods. In 2023, total exports of goods fell notably by 10.3%.
- (2) The Government has been adhering to the international standards in disseminating economic and financial statistics over coverage, periodicity, timeliness, integrity, quality and access by the public. The Government will continue to remain transparent and prudent in releasing statistics in relation to Hong Kong's economic performance in accordance with the standards above.
- (3) Digital economy is a global trend and our country has been at the forefront. The National 14th Five-Year Plan states the need of accelerating digitalisation and building a digital China. The HKSAR Government attaches great importance to Fintech development and has been adopting multi-pronged measures, including working closely with the Mainland, with a view to providing efficient, convenient and innovative financial services to support the development of digital economy.

Further to the launch of the one-stop Fintech pilot trial platform by the People's Bank of China (PBoC) and the HKMA in Hong Kong and Mainland Greater Bay Area (GBA) cities in 2022, the PBoC, the HKMA and the Monetary Authority of Macao signed a Memorandum of Understanding in November 2023 to deepen Fintech innovation co-operation in the GBA and provide a one-stop platform to facilitate the pilot trials of cross-boundary Fintech initiatives across the three regions.

The People's Bank of China and the HKMA have been working closely to press ahead the preparatory work on using e-CNY for cross-boundary payment. In early 2024, 4 e-CNY operating institutions and 18 banks in Hong Kong completed a drill smoothly, involving topping up e-CNY wallets via the Faster Payment System (FPS) and making merchant payments via e-CNY wallets. It is expected that the scope of e-CNY pilot testing will further expand in Hong Kong. By then, more residents may set up e-CNY

wallets easily for use and for topping up funds by the FPS, thereby further enhancing the efficiency and user experience of cross-boundary payment services.

The relevant work will bring new impetus to the cross-boundary Fintech cooperation, thereby promoting the high-quality financial development of the Mainland and Hong Kong. As the relevant economic benefits are difficult to quantify, we could not provide specific estimation.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2358)

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 eMPF Platform, which aims to streamline administrative processes in relation to mandatory provident fund (MPF) schemes, was originally scheduled to commence operation and be open to public use in the second quarter of 2023. However, it was only after a delay of nearly 8 months caused by problems relating to the building of the platform and the administrative system that the eMPF Platform became ready for use in mid/late 2023. In this connection, will the Government inform this Committee of the following:

1. Given the delay of 8 months caused by the manpower problems on the part of the developer of the eMPF Platform, did the developer make compensation for the problems in any form, or in monetary terms last year?
2. The MPF Schemes Authority has no statutory power under the existing legislation to require an intermediary to make compensation to a scheme member suffering a loss in MPF investment. Has the Government considered making it compulsory, through legislative amendments, for an intermediary who commits malpractice and fraud to make compensation in full, so as to enhance deterrence and hence eliminate fraudulent acts?
3. In early 2023, law enforcement agencies mounted operations and arrested a number of contributors on suspicion of making false declarations for early withdrawal of MPF contributions. Can the Government provide the numbers of arrests and successful prosecutions? Will the Government step up enforcement efforts in this regard, with a view to increasing deterrence?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 5)

Reply:

Having consulted the Mandatory Provident Fund Schemes Authority (MPFA), reply to the three-part question is as follows.

- (1) In accordance with the “design, build and operate” contract of the eMPF Platform, the Contractor has already paid liquidated damages to the eMPF Platform Company Limited as requested in respect of the project delay since the Contractor had failed to deliver system readiness of the eMPF Platform on time.
- (2) The Government and the MPFA attach great importance to the quality and service of Mandatory Provident Fund (MPF) intermediaries, and regularly review the prevailing regulatory tools and powers to ensure that the interests of scheme members are protected. According to the Mandatory Provident Fund Schemes Ordinance (Cap. 485), if a registered MPF intermediary has violated the conduct requirements, the MPFA may take disciplinary actions, including suspending or revoking the registration, disqualifying the person from being registered as an intermediary for carrying on regulated activities, issuing a public or private reprimand, and imposing a pecuniary penalty. The relevant fines are capped at a maximum of \$10 million or 3 times the profit gained or loss avoided due to conduct violation, whichever is higher.

To protect the interests of scheme members, the MPFA regularly issues circulars and guidelines to the industry to remind intermediaries to comply with relevant conduct requirements. In September 2023, the MPFA issued a circular titled “Stepping-up of Disciplinary Actions” to forewarn MPF registered intermediaries regarding the stepping up of disciplinary actions on cases involving serious misconduct, including raising the duration of suspension order, in order to achieve a stronger deterrent effect.

- (3) The Government and the MPFA share grave concern about recent suspected cases involving MPF scheme members making false declarations to withdraw MPF early. The MPFA will continue to proactively conduct random checks on applications for early withdrawal of MPF, and refer the cases to the Immigration Department for further verification as to whether the scheme members have permanently departed Hong Kong. Investigatory and enforcement actions will be taken if there are any suspected cases. The MPFA has also established a notification mechanism with law enforcement agencies to cooperate on cracking down crime syndicates abetting scheme members to withdraw MPF through fraudulent means, and will enhance education to prevent scheme members from being misled or exploited and risk violating the law.

Last year, seven scheme members were convicted of breaching the Mandatory Provident Fund Schemes Ordinance (Cap. 485) by making false statements on early withdrawal claims of MPF benefits upon MPFA’s investigation. Besides, MPFA referred over 160 suspected cases of scheme members making false declarations for early withdrawal of MPF benefits to other law enforcement agencies for follow-up investigation.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2360)

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 said when delivering this year's Budget Speech, "Attracting global family offices and asset owners to Hong Kong will help bring in more capital and drive ancillary economic activities. We have implemented a number of measures, including providing tax concessions for qualifying transactions of family-owned investment holding vehicles managed by single family offices in Hong Kong, and streamlining the suitability assessment when dealing with sophisticated professional investors." In this connection, will the Government inform this Committee whether the Government will consider introducing and implementing the relevant enhancement measures as soon as possible to further promote the development of asset management in Hong Kong?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 7)

Reply:

The Government has been actively promoting the development of family office business and strengthening the development of asset and wealth management industry and related professional service sectors in Hong Kong. The Financial Services and the Treasury Bureau issued the "Policy Statement on Developing Family Office Businesses in Hong Kong" in March 2023 with a view to creating a conducive and competitive environment for the businesses of global family offices and asset owners to thrive in Hong Kong. A number of measures have already been implemented, including –

- (a) the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 was passed by the Legislative Council in May 2023 to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices in Hong Kong with effect from any years of assessment commencing on or after 1 April 2022;

- (b) in July 2023, regulators published a circular to the industry on streamlining the suitability assessment when dealing with sophisticated professional investors (SPIs) with a view to enhancing customer experience. Intermediaries may provide product characteristics, nature and extent of risks to an SPI upfront instead of before each transaction. Intermediaries are not required at a transaction level to match the SPI's risk tolerance level, investment objectives and investment horizon, or to assess the SPI's knowledge, experience and concentration risk;
- (c) Invest Hong Kong and its dedicated FamilyOfficeHK team have launched the Network of Family Office Service Providers in June 2023 to bring together the global networks of the relevant professional services providers and promote Hong Kong's advantages and opportunities to global family offices, and provide one-stop services for family offices interested in establishing a presence in Hong Kong;
- (d) the Hong Kong Academy for Wealth Legacy was established in November 2023 to provide a platform for collaboration, networking, knowledge sharing, and to provide relevant training for the family office sector, asset owners and wealth inheritors, thereby promoting positive financial management values and strengthening the talent pool for family offices; and
- (e) the New Capital Investment Entrant Scheme is open for application from 1 March 2024 to further enrich the talent pool and attract new capital to Hong Kong.

The Government will continue to roll out appropriate measures to further enhance Hong Kong's competitiveness as an asset and wealth management hub.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)116

(Question Serial No. 2363)

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 announced in this year's Budget that the new Capital Investment Entrant Scheme (the Scheme) would soon invite applications. The Scheme is then open for application on 1 March. Under the Scheme, an eligible applicant must make investment of a minimum of HK\$30 million in the permissible investment assets. A successful applicant may bring dependants (including spouse and unmarried dependent children aged under 18) to Hong Kong. Permission to stay will normally be granted to them for 2 years. Upon expiry of the period, they may apply for an extension of stay for 3 years, and may subsequently apply for further extensions of stay for 3 years upon expiry of each of the 3-year periods. They may, upon a period of continuous ordinary residence in Hong Kong of not less than 7 years, apply to become Hong Kong permanent residents in accordance with the law. In this connection, will the Government inform this Committee:

1. whether it will consider requiring that a capital investment entrant, upon selection of his/her start-up, be bound to the interest of the enterprise concerned for a certain period of time, so as to establish a basis for long-term mutual collaboration;
2. whether it will consider reviewing the effectiveness of the Scheme after it has been implemented for a certain period of time, and further expanding the scope of permissible investment assets in future to cover more eligible collective investment schemes and insurance products, thereby further enhancing the attractiveness of the Scheme; and
3. whether it will consider allowing relevant investments under the Scheme to be held through qualified family-owned investment companies, so as to create greater synergy with the tax concessions for family offices?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 10)

Reply:

It was announced in the 2023-24 Budget that the New Capital Investment Entrant Scheme (the New Scheme) would be introduced to further enrich the talent pool and attract new capital to Hong Kong, strengthen the development of asset and wealth management industry and related professional service sectors in Hong Kong, and support the development of the innovation and technology industries. Application has been opened from 1 March 2024 and eligible investors may apply to reside and pursue development in Hong Kong.

Under the New Scheme, an eligible applicant must make investment of a minimum of HK\$30 million in the permissible investment assets, including investing a minimum of HK\$27 million in permissible financial assets and non-residential real estate (subject to a cap of HK\$10 million), and placing HK\$3 million into a new Capital Investment Entrant Scheme Investment Portfolio (the Portfolio). The Portfolio will be set up and managed by the Hong Kong Investment Corporation Limited for making investment in companies/projects with a Hong Kong nexus (including start-ups), with a view to supporting the development of innovation and technology industries and other strategic industries that are beneficial to the long term development of Hong Kong's economy. The detailed design for the Portfolio will be announced in due course.

The scope of permissible investment assets under the New Scheme has been significantly expanded as compared to the original Capital Investment Entrant Scheme. Apart from including non-residential real estate, the New Scheme has added financial assets denominated in Renminbi. For eligible collective investment schemes, the New Scheme has included more funds, real estate investment trusts and Investment-Linked Assurance Schemes authorised by the Securities and Futures Commission, as well as open-ended fund companies and limited partnership funds.

The Government will evaluate the effectiveness of the New Scheme as appropriate to ensure that the relevant arrangements and initiatives are able to attract target asset owners to deploy and manage their wealth, and fully realise the diversified investment opportunities in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)117

(Question Serial No. 2365)

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 Monetary Authority and Mainland regulatory authorities will continue to build a collaborative framework on cross-boundary credit referencing. Through such collaboration, the banks of both places, upon consent from customers, will be allowed to access the credit data of relevant corporations, so that credit assessment can be conducted in an efficient and reliable manner. Nevertheless, this credit referencing mechanism is currently applicable to corporations, but not individuals. In order to transform “talent dividend” based on headcount into “dividend from property purchases” and “dividend from tax contributions”, and hence provide real support to Hong Kong’s economic development, will the Government consider extending the cross-boundary credit referencing mechanism to individuals, so that top talent may transfer their capital from the Mainland to Hong Kong easily and effectively to solve such problems as shortage of money and difficulty in purchasing a home in Hong Kong?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 12)

Reply:

The People’s Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) announced on 24 January 2024 a series of measures to deepen the financial co-operation between the Mainland and Hong Kong, including promoting the collaboration on cross-boundary credit referencing (CBCR) to facilitate enterprises’ cross-boundary financing activities. The PBoC and the HKMA have subsequently signed a Memorandum of Understanding on CBCR pilots and agreed to first conduct CBCR pilots between Shenzhen and Hong Kong so as to test and review the operations of cross-boundary data transfers under proper risk management and controls. The CBCR pilots would focus on facilitating commercial lending in the initial stage. After gaining relevant experience, the HKMA and PBoC will continue to discuss and look into how to further deepen the co-operation.

On CBCR for individuals, the Innovation, Technology and Industry Bureau entered into the “Memorandum of Understanding on Facilitating Cross-boundary Data Flow Within the Guangdong-Hong Kong-Macao Greater Bay Area” with the Cyberspace Administration of China in June 2023, which provides that under the national framework on the safe management of cross-boundary data flow, the secure and orderly flow of data from the Mainland to Hong Kong is facilitated with a view to promoting collaboration in cross-boundary data flow with the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The two sides jointly announced in December 2023 the facilitation measure of “Standard Contract for the Cross-boundary Flow of Personal Information Within the GBA (Mainland, Hong Kong)”, which seeks to facilitate and streamline the compliance arrangements on cross-boundary flow of personal information in the Mainland cities in the GBA to Hong Kong. For the first phase of the early and pilot implementation, the banking, credit referencing and healthcare sectors which have a greater demand for cross-boundary services have been invited to participate on a voluntary basis.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)118

(Question Serial No. 0162)

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:

According to paragraph 33 of the Budget Speech, the Hong Kong Investment Corporation Limited will attract more innovation and technology companies to establish their presence in Hong Kong by performing its role of channelling capital and leveraging market resources. The first batch of direct investment and co-investment projects will be implemented in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries. In this regard, will the Government inform this Committee of:

Currently, the respective total amounts of direct investment and co-investment in the first batch of investment projects? Please set out in descending order the specific amounts of investment of the areas involved, such as life technology, green technology and finance, semi-conductors and chips, the upgrading and transformation of manufacturing industries, etc.

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 1)

Reply:

As mentioned in the 2024-25 Budget, the Hong Kong Investment Corporation Limited (HKIC) will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries.

Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in the future after the project progress reaches a maturity stage. Regarding the investment size of the HKIC in individual projects, the relevant factors for consideration

include the strategic and financial value of the project to Hong Kong, the development stage, investment structure and risks of the relevant project.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)119

(Question Serial No. 0182)

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 142 of the Budget, Hong Kong has ranked first in Asia for 7 consecutive years in terms of the volume of international bond issuance. The last Budget proposed to expand the scope of the Government Green Bond Programme to cover sustainable finance projects and take forward the Infrastructure Bond Scheme. The borrowing ceiling for these two programmes will be set at a total of \$500 billion. The sums borrowed will be credited to the Capital Works Reserve Fund for investment in projects which are conducive to long-term development. In this connection, will the Government inform this Committee of the following:

In respect of the \$20 billion worth of green bonds and infrastructure bonds that the Government plans to issue in 2024-25, the respective ratios of the proceeds raised to be used for infrastructure and sustainable development, and the projects on which the proceeds raised will be used?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 17)

Reply:

The Government announced in the 2024-25 Budget the plan to issue \$120 billion worth of bond under the Infrastructure Bond Programme (IBP) and the Government Green Bond Programme (to be renamed as the Government Sustainable Bond Programme (GSBP)) in 2024-25, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond and \$20 billion worth of retail green bonds and infrastructure bonds. The retail tranche will be issued for public subscription to enhance a “sense of participation” in infrastructure and sustainable development among the public. The remaining \$50 billion will be institutional tranche, with a certain portion to be earmarked for priority investment by Mandatory Provident Fund Schemes. All bond proceeds will be credited to the Capital Works Reserve Fund (CWRF) for funding eligible projects supported by the CWRF.

The IBP will cover projects under the Government's capital works programme of the CWRP (except for those included or expected to be included in the GSBP), including projects under major infrastructure initiatives such as the Northern Metropolis. GSBP covers the 9 eligible categories under the Green Bond Framework (Framework), namely renewable energy; energy efficiency and conservation; pollution prevention and control; waste management and resource recovery; water and wastewater management; nature conservation /biodiversity; clean transportation; green buildings; and climate change adaptation. Regarding sustainable projects, it is commonly accepted in the international capital markets that the concept of sustainable finance covers the financing of green projects and social projects, as well as financial instruments with interest rates linked to the overall sustainability performance of the issuer. When allocating the bond proceeds to individual sustainable projects covered by the CWRP, the Government will ensure a proper allocation by making reference to the latest relevant international standards and principles, as well as the Government's environmental policies and targets.

The bond issuance ratio between the two programmes and the individual projects supported by the bond proceeds will be determined taking account of the actual market conditions at the time of arranging the bond issuance, and will be submitted for approval by the Steering Committee chaired by the Financial Secretary overseeing the programmes.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0192)

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 35 of the Budget Speech that the Hong Kong Investment Corporation Limited will host a Roundtable for International Sovereign Wealth Funds to enhance Hong Kong's attractiveness to enterprises and capital. Sovereign wealth funds and financial leaders will be invited. A Summit on Start-up Investment and Development in Hong Kong will also be organised. It will bring together prominent figures in the start-up ecosystem, with a view to boosting collaboration among the investment, industry, academic and research sectors. In this regard, would the Government advise this Committee on the following:

1. Which countries' and territories' sovereign wealth funds and financial leaders are planned to be invited to join the Roundtable for International Sovereign Wealth Funds?
2. In addition to inviting local and Mainland start-ups, is there a plan to invite start-ups from the Association of Southeast Asian Nations, the Middle East and the Belt and Road Initiative countries to join the Summit on Start-up Investment and Development in Hong Kong?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 2)

Reply:

The Hong Kong Investment Corporation Limited is moving full steam ahead on the preparatory work for the two events, namely the Roundtable for International Sovereign Wealth Funds and the Summit on Start-up Investment and Development in Hong Kong, including liaising closely with the HKSAR Government and the relevant institutions on the appropriate arrangements. More details will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0198)

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 46 of the Budget Speech, the Government is planning this year to actively implement measures proposed, last October, by the Task Force on Enhancing Stock Market Liquidity. They include reforming the Growth Enterprise Market (GEM), whose listing rules have undergone a number of amendments since 1999. In this connection, would the Government inform this Committee of:

1. the timetable for implementing the measures proposed by the Task Force on Enhancing Stock Market Liquidity in relation to the reform of GEM? Whether the Government will consider lowering the threshold for listing on the GEM; and
2. whether the Government will consider attracting start-ups with development potential from the Middle East, the Association of Southeast Asian Nations, India and the Belt and Road countries, in addition to those in the Mainland, to raise funds in Hong Kong through listing on the GEM?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 7)

Reply:

- (1) In the face of the challenges from the external environment to the stock market, the Government established the Task Force on Enhancing Stock Market Liquidity in August 2023 to comprehensively review factors affecting market liquidity, and put up specific recommendations on strengthening the competitiveness and sustainable development of Hong Kong's stock market, including reforming GEM (formerly known as Growth Enterprise Market) to provide a more effective fundraising platform for small and medium enterprises.

To this end, the Hong Kong Exchanges and Clearing Limited (HKEX) issued a consultation paper in September last year to seek market views on the specific proposals

for reforming GEM. After consolidating market views, HKEX published the consultation conclusions in December last year. Based on majority support, reform measures were implemented on 1 January 2024. These include introducing a new financial eligibility test for high growth enterprises that are heavily engaged in research and development activities; introducing a new “streamlined transfer mechanism” to enable eligible GEM issuers to transfer to the Main Board without the need to appoint a sponsor to carry out due diligence or produce a “prospectus-standard” listing document; reducing the post-initial public offering lock-up period imposed on GEM issuers’ controlling shareholders to 12 months; and removing the mandatory quarterly reporting requirements and aligning other continuing obligations of GEM with those of the Main Board. The relevant consultation documents also discuss other listing eligibility requirements of GEM, such as the minimum market capitalisation, track record requirement, etc. Given that the relevant listing thresholds are relatively low compared to those of similar securities markets targeting small and medium listed issuers (such as the Beijing Stock Exchange and Nasdaq Capital Market), HKEX considers that it is not necessary to lower the requirements at this stage. It will closely monitor the effectiveness of the measures, and conduct further review as appropriate having regard to the implementation experience and the market situation.

- (2) With Hong Kong as a leading international fundraising centre, the Government, the Securities and Futures Commission (SFC) and HKEX are committed to attracting companies of different sizes and with growth potential from around the world (including markets along the Belt and Road such as the Middle East and the Association of Southeast Asian Nations) to list and raise funds in Hong Kong for business expansion. Notably, HKEX signed a memorandum of understanding with the Saudi Tadawul Group Holding Company and the Indonesia Stock Exchange respectively and included them into the list of recognised stock exchanges in 2023, allowing companies listed in their main boards to apply for secondary listing in Hong Kong. On the basis of the enhancements of the listing regime for overseas issuers over the last few years and the expansion of the scope of recognised stock exchanges, HKEX will continue to promote Hong Kong’s listing platform to overseas markets.

HKEX is preparing for various major promotion activities in the coming year, including jointly organising different thematic flagship summits and events with organisations in the Middle East and Southeast Asia. It aims to strengthen the connection between Hong Kong and overseas markets as well as explore how to leverage Hong Kong’s capital market to support research and development and commercialisation for enterprises, with a view to generating more interest from issuers and capital in the Hong Kong market. HKEX will also continue to participate in different outreach activities, expanding the coverage of enterprises and introduce in detail the advantages of Hong Kong’s listing platform through thematic speeches, forum exchanges, and roadshow events. The Government will proactively assist interested enterprises through the Office for Attracting Strategic Enterprises, Invest Hong Kong, and Economic and Trade Offices in the Mainland and overseas, as well as organise international financial mega events to strengthen networking and tell the good stories of Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0204)

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 78 of the Budget Speech that the Government has so far provided subsidies to eligible bond issuers and loan borrowers for the issuance of more than 340 green and sustainable debt instruments in Hong Kong through the Green and Sustainable Finance Grant Scheme totalling US\$100 billion, enriching our green and sustainable finance ecosystem. The Government proposes to extend the scheme for 3 years to 2027 and expand the scope of subsidies to cover transition bonds and loans. In this connection, would the Government inform this Committee of the following:

1. Which green projects have been allocated with the proceeds raised from the issuance of green bonds in the past year? What is the estimated number of enterprises to be benefitted from the expansion of the scope of subsidies to cover transition bonds and loans?
2. In respect of formulating sustainability disclosure standards, how will the Financial Services and the Treasury Bureau and the Securities and Futures Commission assist enterprises and financial institutions in aligning their practices with international standards?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 9)

Reply:

- (1) Under the Government Green Bond Programme, the Government has issued approximately HK\$195 billion worth of green bonds so far. As of end-July 2023, 72 eligible green projects, covering green buildings, waste management and resource recovery, water and wastewater management, energy efficiency and conservation, pollution prevention and control, and climate change adaptation, have been financed by the proceeds raised. The Government releases the Green Bond Report annually to provide information on the allocation of proceeds raised and the expected environmental benefits of the projects financed. The latest report was released in August 2023.

As of early March 2024, the Green and Sustainable Finance Grant Scheme (GSFGS) has granted around \$220 million to 368 green and sustainable debt instruments issued in Hong Kong and benefited over 300 bond issuers and loan borrowers, covering both local and non-local enterprises mainly from the real estate, construction and energy sectors, involving a total underlying debt issuance of around US\$110 billion. This has enriched the green and sustainable finance ecosystem in Hong Kong and promoted the overall development of the local green finance market.

The 2024-25 Budget proposes to extend the GSFGS, which is due to expire in mid-2024, by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans, with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. Since the issuance of these debt instruments hinges on market conditions, while transition financing is still at an early development stage, it is difficult to assess the number of enterprises to be benefitted.

- (2) Enterprises must align their practices in sustainability disclosure with international standards in order to deepen Hong Kong's green and sustainable finance development. The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards) in June 2023, as the global baseline for corporate disclosure of climate and sustainability-related information. The Government will work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards to align with international standards.

We have set up a working group (working group), which is co-led by the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission, with members comprising financial regulatory authorities and stakeholders (including the Hong Kong Exchanges and Clearing Limited (HKEX) and the Hong Kong Institute of Certified Public Accountants (HKICPA)), to prepare the roadmap. The roadmap will comprise 4 key areas — sustainability reporting, assurance, data and technology, and capacity building. Assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards (Hong Kong Standards) aligned with the ISSB Standards as well as the complementary application and implementation guidance. FSTB published on 25 March this year a vision statement, setting out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. The working group is already engaging with stakeholders to identify the specific circumstances that should be considered for the development and implementation of the Hong Kong Standards. Our target is to launch the roadmap within 2024, to provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong as well as sufficient time for making preparations and developing readiness for the pragmatic implementation of the Hong Kong Standards.

Separately, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) formed by relevant Government Bureaux, financial regulators and HKEX launched in 2022 a Climate and Environmental Risk Questionnaire for Non-listed companies and small and medium enterprises (SMEs). The Questionnaire is intended

to assist the sustainability reporting processes of corporates concerned and raise their sustainability visibility to lenders, investors and supply chain clients. It also enables financial institutions' collection and assessment of company-level data for risk assessment and relevant business decisions. The digital version of the Questionnaire is available on the Steering Group's website to further facilitate reporting, and will support broader consent-based data sharing between corporates and financial institutions.

The Steering Group, in collaboration with the Hong Kong University of Science and Technology, launched greenhouse gas emissions calculation and estimation tools in February 2024. These tools are available for free public access on the Steering Group's website, facilitating sustainability reporting by corporates and financial institutions in Hong Kong. They equip SMEs with the means to manage their environmental footprint and encourage market participants to improve sustainable business practices.

- End -

CONTROLLING OFFICER'S REPLY

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(Question Serial No. 0205)

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 95 of the Budget, the scope of e-CNY pilot testing will be expanded in Hong Kong. Members of the public may set up e-CNY wallets easily for use and for topping up funds by the Faster Payment System, thereby further enhancing the efficiency and user experience of cross-boundary payment services. In this connection, will the Government inform this Committee of the following:

1. What is the current distribution of the existing e-CNY pilots in the 18 districts in Hong Kong?
2. At present, the use of e-CNY by the public transport system and large-scale retail chains is relatively smooth. However, the use of e-CNY by privately-operated small and medium restaurants and non-chain shops is not yet widespread enough. How will the Government increase incentives for small and medium retail shops to use e-CNY?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 12)

Reply:

The People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) have been working closely to press ahead the preparatory work on using e-CNY for cross-boundary payment. In early 2024, 4 e-CNY operating institutions and 18 banks in Hong Kong completed a drill in Hong Kong smoothly, involving topping up e-CNY wallets via the Faster Payment System (FPS) and making merchant payments via e-CNY wallets. Merchants participating in the drill included retail chains, restaurants, supermarkets, etc. The overall technical operation was smooth. The drill in Hong Kong did not cover the public transport system.

At present, e-CNY has not been officially launched in Hong Kong. The HKMA and the PBoC will continue to enhance the cross-boundary pilot outcome of e-CNY by expanding the

scope of e-CNY pilot testing, supporting more institutions and merchants to participate in the pilot testing as well as covering more use cases of cross-boundary payment. By then, more residents may set up e-CNY wallets easily for use and for topping up funds by the FPS, thereby further enhancing the efficiency and user experience of cross-boundary payment services. The use of e-CNY will provide residents of the 2 places with another safe, convenient and innovative option for cross-boundary retail consumption. When e-CNY is officially launched in future, we will actively promote the local merchants to accept e-CNY as a payment means. The HKMA will announce the details in due course.

Hong Kong has a well-developed e-payment ecosystem with a number of non-cash payment options available to the public. At present, major QR code e-wallets in the market could support the cross-boundary payment needs of both Mainland and Hong Kong users. Regarding payment by Mainland users in Hong Kong, the two common e-wallet operators (Alipay and WeChat Pay) each have more than 150 000 Hong Kong retail merchants accepting its Mainland version of the e-wallet. Retail shops and restaurants located in large shopping malls and tourist areas are covered. As for payment by Hong Kong people in the Mainland, major e-wallets and retail payment operators in Hong Kong, including Octopus, AlipayHK, WeChat Pay HK and UnionPay, have provided cross-boundary retail payment services to Hong Kong users.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0207)

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 139 of the Budget, the new Capital Investment Entrant Scheme (new CIES) will soon invite applications. Eligible investors who invest \$27 million or more in qualifying assets in Hong Kong and place \$3 million into a new CIES Investment Portfolio may apply to reside and pursue development in Hong Kong. The new CIES will help strengthen our advantages in developing the asset and wealth management industry and related professional service sectors in Hong Kong, while supporting the I&T sector's development. In this connection, will the Government inform this Committee of:

What are the changes made to the new CIES as compared with the original scheme? What are the major investible areas to be opened up under the new CIES Investment Portfolio? When does the Government expect to start accepting application for the new CIES?

Asked by: Hon SO Cheung-wing (LegCo internal reference no.: 16)

Reply:

It was announced in the 2023-24 Budget that the New Capital Investment Entrant Scheme (the New Scheme) would be introduced to further enrich the talent pool and attract new capital to Hong Kong, strengthen the development of asset and wealth management industry and related professional service sectors in Hong Kong, and support the development of the innovation and technology industries. Application has been opened from 1 March 2024 and eligible investors may apply to reside and pursue development in Hong Kong.

The New Scheme generally adopts the framework and application criteria of the original Capital Investment Entrant Scheme (the Original Scheme), with adjustments in light of the latest market/industry developments and relevant policy considerations. Specifically, under the Original Scheme, applicants were required to make investment of a minimum of HK\$10 million in permissible investment assets (excluding real estate). Under the New Scheme, the minimum investment threshold is HK\$30 million, including investment of a

minimum of HK\$27 million in permissible financial assets and non-residential real estate (subject to a cap of HK\$10 million), and placing HK\$3 million into a new Capital Investment Entrant Scheme Investment Portfolio (to be set up and managed by the Hong Kong Investment Corporation Limited for making investment in companies/projects with a Hong Kong nexus, with a view to supporting the development of innovation and technology industries and other strategic industries that are beneficial to the long term development of Hong Kong's economy).

For permissible financial assets, the Original Scheme only covered equities, debt securities, certificates of deposits, subordinated debt, collective investment schemes, etc., denominated in Hong Kong dollar. Under the New Scheme assets denominated in Renminbi has been added, and the scope of eligible collective investment schemes has been expanded to include more funds, real estate investment trusts and Investment-Linked Assurance Schemes authorised by the Securities and Futures Commission. Applicants may also invest in open-ended fund companies registered under the Securities and Futures Ordinance (Cap. 571) and ownership interest in limited partnership funds registered under the Limited Partnership Fund Ordinance (Cap. 637).

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1885)

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 47 of the Budget Speech that the Securities and Futures Commission of Hong Kong (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX) are considering an array of measures to boost market efficiency and liquidity, including enhancing the listing regime. In this connection, would the Government inform this Committee of the following:

1. With regard to enhancing the listing regime, has any specific timetable been drawn up? What are the target dates for completion of the relevant review and study and for the official implementation of new measures?
2. Early this year, I proposed at a Legislative Council meeting that the listing procedures and process be further streamlined, listing and related fees be reduced, and outdated or excessively complicated regulatory ordinances, procedures and the like be repealed or amended, with a view to attracting more Mainland and overseas enterprises to list and raise funds in Hong Kong. As far as enhancing the listing regime is concerned, will the Government consider and study my proposals to reduce listing and related fees and relax the requirements stipulated in the regulatory ordinances?
3. With regard to exploring refinement of real-time market data services, will the SFC and the HKEX further strengthen their co-operation with technology-related government departments or quasi-government organisations in providing real-time market data services for the public through the use of innovation and technology? What is the target completion date of the relevant study? When are the new enhanced measures expected to be officially launched?
4. Given the tremendous opportunities offered to Hong Kong by the Belt and Road Initiative (B&R), what measures will the Government take in the coming year to attract and encourage B&R countries in the Association of Southeast Asian Nations and the Middle East to invest and raise funds in Hong Kong?

Asked by: Hon TAN Sunny (LegCo internal reference no.: 3)

Reply:

- (1) Facing the challenges from the external environment to the stock market, the Government established the Task Force on Enhancing Stock Market Liquidity (Task Force) in August 2023 to comprehensively review factors affecting market liquidity and propose specific recommendations to strengthen the competitiveness and sustainable development of the stock market. The Chief Executive announced in the 2023 Policy Address the acceptance of the Task Force's recommendations. The Government, the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX) have since been implementing the short-term recommendations at full speed. Measures on enhancing the listing mechanism include:
 - (i) implementing the GEM reform measures in January 2024 to add a new financial eligibility test for enterprises heavily engaged in research and development activities, introduce a new "streamlined transfer mechanism", reduce the continuing obligations of issuers, etc.;
 - (ii) including Saudi Exchange and Indonesia Stock Exchange as Recognised Stock Exchanges in September and November 2023 respectively, enabling companies listed on the main market of the two exchanges to secondary list in Hong Kong;
 - (iii) issuing guidance in October 2023 to set out the framework for granting waivers to allow issuers' automatic share buy-back programmes conducted throughout the Restricted Period; and
 - (iv) conducting market consultation from October to December 2023 on allowing repurchased shares to be held in treasury and resold by issuers. HKEX expects to publish the consultation conclusions in the first half of this year to respond to market feedback, finalise the way forward, and announce the relevant operational details.

Apart from the above short-term measures, the SFC and HKEX are exploring a series of measures to further enhance market efficiency and liquidity. For the listing mechanism, the focus of the coming year will be to study and optimise the price discovery process of initial public offerings and review the public float requirement of listed companies to boost market efficiency. In addition, in response to the views from issuers that the current listing requirements for structured products do not provide sufficient flexibility for the design of new products, HKEX will study and enhance the listing requirements and arrangements for structured products. It is HKEX's target to consult the market on detailed proposals within this year.

- (2) To provide more facilitation for issuers (in particular small and medium enterprises) to list and raise funds, HKEX implemented a series of GEM reform measures in January 2024 upon consulting the market. They include adding a new "streamlined transfer mechanism" to enable GEM issuers that meet the Main Board listing qualifications to transfer to the Main Board, while removing the requirements on the appointment of a sponsor to carry out due diligence prior to the transfer and the issuance of a "prospectus-standard" listing document. HKEX has also exempted all GEM transferees to the Main

Board from the payment of the Main Board initial listing fee. On continuing obligations, HKEX has removed the requirements concerning compliance officers, shortened the engagement period of compliance advisers, and removed quarterly financial reporting as a mandatory requirement. Relevant measures will enhance the efficiency of the transfer process, as well as reduce compliance costs for issuers.

In addition, the key steps of applying for listing include appointing sponsors and other advisors to provide professional advice; preparing the prospectus; submitting the listing application; and going through listing vetting as well as hearing by Listing Committee. To enhance transparency of listing vetting and strengthen the market's understanding of the latest requirements of the Listing Rules, HKEX published the Guide for New Listing Applicants in November 2023 to consolidate and rearrange the guidance letters on listing-related matters and listing decisions, with a view to further facilitating preparation for listing. In order to provide stakeholders with a clearer and more objective understanding of the status of listing vetting, HKEX discloses on its website every month the number of listing applications, their processing status, and the average number of business days taken to issue a comment letter on the review of listing applications in that month. The Government will continue to drive HKEX and the SFC to review the listing mechanism continuously and maintain communication with the industry to explore further optimising the efficiency and transparency of relevant work, seeking to balance between market development and regulatory needs.

- (3) Providing investors with comprehensive market data is conducive to enhancing market transparency and facilitating their investment and trading decisions, thereby having a positive impact on market vitality and liquidity. Further to the launch of a pilot programme in December 2023 (including offering an enterprise data package with a fixed monthly fee and lowering the fee for mobile market data service), HKEX and the SFC are exploring to further enhance real-time market data service. The SFC and HKEX will examine how to better define professional and non-professional data users and make an appropriate differentiation in respect of data provision, so as to provide different market participants (such as retail investors, professional investors, research institutions, etc.) with targeted services at a reasonable price to facilitate their participation in market trading and research. HKEX will conduct a review of the effectiveness of the market data service pilot programme in the second quarter of 2024 at the earliest, and then commence relevant further study. The review of market data service involves amendments to the scope and fees of HKEX's relevant service packages. The work concerned will be taken forward by HKEX in consultation with the SFC.
- (4) The Government, the SFC and HKEX are committed to strengthening the breadth and depth of the Hong Kong fundraising platform, attracting different types of enterprises as well as investors from the Mainland and overseas (including markets along the Belt and Road such as the Middle East and the Association of Southeast Asian Nations) to participate in investment and fundraising activities in Hong Kong, leveraging Hong Kong's functions as an international fundraising centre.

In order to further promote Hong Kong's securities market and fundraising platform to overseas enterprises and capital, HKEX is preparing for various major promotion activities in the coming year, including jointly organising different thematic flagship summits and events with organisations in the Middle East and Southeast Asia. It aims

to strengthen the connection between Hong Kong and overseas markets as well as explore how to leverage Hong Kong's capital market to support research and development and commercialisation for enterprises, with a view to generating more interest from issuers and capital in the Hong Kong market. HKEX will also continue to participate in different outreach activities, expanding the coverage of enterprises and introducing the latest rules and listing channels to enterprises which are interested to list in Hong Kong through thematic speeches, forum exchanges, and roadshow events. The Government will proactively assist interested enterprises through the Office for Attracting Strategic Enterprises, Invest Hong Kong, and Economic and Trade Offices in the Mainland and overseas, as well as organise international financial mega events to strengthen networking and tell the good stories of Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1886)

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:

Paragraphs 130 to 132 of the Budget Speech talk about the Government's efforts to consolidate and strengthen Hong Kong's position as an "offshore Renminbi (RMB) business hub". In this connection, will the Government inform this Committee of the following:

1. As stated under Matters Requiring Special Attention in 2024–25 of Programme (1), the Branch will "promote the issuance and trading of RMB securities in Hong Kong". What are the specific work and policy objectives in this respect?
2. It is mentioned in paragraph 131 of the Budget Speech that "To capitalise on this enormous opportunity, we will press ahead with the development of an offshore RMB ecosystem to promote the internationalisation of the RMB in a steady and prudent manner." With regard to improving the offshore RMB ecosystem, what long-term measures will be taken by the Government to enhance the long-term competitiveness of Hong Kong as an offshore RMB business hub?
3. In my view, to seize the opportunities arising from the internationalisation of the RMB, the Government should take the lead to launch more international and Mainland bulk commodity futures products which are denominated in the RMB (such as crude oil and metals) and expand the variety of such products so as to promote the development of Hong Kong as a pricing centre for RMB-denominated bulk commodity futures. In this regard, what efforts are being made by the Government to promote RMB-denominated bulk commodity futures products? How will the Government step up the work?

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

Reply:

- (1) To complement the new development paradigm of our country and cater for the increasing demands from global investors for Renminbi (RMB) asset allocation, the Government, along with financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX), has been actively promoting the issuance and trading of RMB securities in Hong Kong, strengthening Hong Kong's functions as a global offshore RMB business hub.

The HKEX launched the "Hong Kong Dollar (HKD)-RMB Dual Counter Model" (dual-counter model) and the "Dual Counter Market Maker" regime in June 2023. To create favorable conditions for market makers to engage in market making and liquidity providing activities with lower transaction costs, the Government has amended the law to exempt the stamp duty of specific transactions made by dual-counter market makers. A total of 24 issuers have adopted the dual-counter model and provided HKD and RMB securities trading, and the number of dual-counter market makers has increased from 9 when the model was initially launched to 12 currently.

The Government will continue to put more effort into promoting the issuance and trading of RMB securities in Hong Kong, including stepping up the work with regulators and HKEX and communicating with Mainland ministries and relevant institutions on having RMB counters under Southbound trading of Stock Connect as soon as possible. At the same time, through promotional activities, the Government and HKEX will promote opportunities for allocating high quality equity assets via the RMB counters with a focus on overseas economies that conduct cross-border trade in RMB, such as the Middle East and South East Asia regions. HKEX is also proactively communicating with listed issuers to add RMB counters and will expand the number of securities under the dual-counter model at an appropriate time.

- (2) The Government is seeking to enhance Hong Kong's role as an offshore RMB business hub in various aspects. Specifically, the Government, the Securities and Futures Commission (SFC) and HKEX are committed to deepening and widening mutual access between the financial markets of the Mainland and Hong Kong. With the strong support from the Central People's Government, a number of enhancement measures and new products were introduced under the mutual market access programme in 2023, including the further expansion of eligible stocks under Stock Connect, the introduction of Northbound trading of Swap Connect, etc., fostering the connectivity and concerted development of the two markets to facilitate RMB cross-boundary investment and two-way fund flows for enhancing offshore RMB liquidity.

The Government and regulators will continue to liaise closely with the relevant Mainland authorities and institutions to proactively implement the introduction of block trading under the mutual access programme. Besides, the regulators of the two places already announced in November 2023 that offshore Mainland government bond futures will be launched in Hong Kong, which will introduce an effective offshore risk management tool for investing in Mainland government bonds in Hong Kong. HKEX is taking forward relevant preparations at full speed and will announce the launch date and relevant details upon obtaining relevant regulatory approvals. We will continue to explore with the Mainland various arrangements for expanding and enhancing the mutual access mechanisms.

Furthermore, the Hong Kong Monetary Authority (HKMA) will continue to improve the connectivity of the Central Money Markets Unit (CMU) to better support Bond Connect. In particular, an interface under the CMU with the Mainland's Cross-border Interbank Payment System (CIPS) to facilitate Southbound Trading under Bond Connect transactions was rolled out and the automated access to Mainland central securities depositories to facilitate daily Bond Connect transactions was enhanced.

The HKMA will also carry out proactive market promotion to attract more international and Mainland issuers to issue bonds in Hong Kong, and explore opportunities to establish more cross-border linkages with different jurisdictions. These CMU linkages will allow Mainland investors to hold international bonds issued outside Hong Kong to support their global asset allocation, at the same time attracting more international investors to invest in the Mainland's onshore bond market through the CMU. This will strengthen connectivity between the Mainland and international markets, and provide crucial support for the Mainland's domestic and international circulations.

- (3) With the progress of RMB internationalization, the influence of RMB in the commodities market is gradually increasing. At the same time, the Mainland is one of the leading commodities consumers in the world. With our country's strong support, Hong Kong has the potential to continue optimizing product development and infrastructure and striving to become a major cross-boundary commodities market. HKEX has launched a series of commodity futures products settled in RMB, involving metals such as gold, silver, aluminium, zinc, copper, nickel, tin and lead. In addition, HKEX wholly owns and operates London Metal Exchange, operates Qianhai Mercantile Exchange as a major shareholder, and owns 7% of stakes in Guangzhou Futures Exchange. All of these lay the foundation for the launch of cross-border trading of commodities products. In the future, HKEX will continue to explore the issuance of high-liquidity products and advancing trading methods. HKEX and the SFC will also work closely with mainland institutions to promote the mutual market access of overseas and Mainland commodity markets with a view to contributing to strengthening our country's pricing power in the international commodities market.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2009)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget Speech that the Government proposes to extend the Green and Sustainable Finance Grant Scheme for 3 years to 2027 and expand the scope of subsidies to cover transition bonds and loans. In this connection, will the Government inform this Committee of the following:

- (1) the total amount of subsidy approved, the number of approved applications, the changes in the amount approved and the number of applications each year, as well as the total amount issued since the launch of the scheme in 2021;
- (2) the estimated amount of provision required for extending the scheme for 3 years to 2027; and
- (3) whether performance indicators will be set for the scheme during the 3-year extended period, and the results expected to be achieved?

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 1)

Reply:

- (1) The Government launched the Green and Sustainable Finance Grant Scheme (GSFGS) in May 2021 with a provision of \$255 million to provide funding support for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services. The number of approved applications, amount of subsidy approved, types of debt instruments covered, and details of subsidised issuers and borrowers since the launch of the GSFGS are set out below.

	May 2021 to end-April 2022	May 2022 to end-April 2023	May 2023 to early March 2024	Total
Number of approved applications	72	164	132	368
Total amount of subsidy approved	Around \$85 million	Around \$91 million	Around \$49 million	Around \$220 million
Types of debt instruments covered	Loans and bonds accounted for approximately 70% and 30% respectively, covering a diverse range of green and sustainable debt instruments such as green bonds, sustainable bonds, green loans and sustainability-linked loans.			
Details of subsidised issuers and borrowers	Including both local and non-local enterprises, mainly from the real estate, construction and energy sectors.			

As prospective applicants can enquire with the Hong Kong Monetary Authority (HKMA) in advance about eligibility, and a detailed set of guidelines has also been published on the HKMA's website to facilitate their assessment of eligibility, the majority of formal applications have been successfully approved.

(2) and (3)

The 2024-25 Budget proposes to extend the GSFGS by 3 years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation. Since the issuance of these debt instruments hinges on market conditions, and given that transition financing currently remains in an early stage of development, it would be difficult to estimate the number of enterprises that will benefit from the GSFGS going forward. We will review the implementation of the GSFGS from time to time, and introduce appropriate enhancements taking account of market developments, industry feedback and recommendations, etc. Details will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)128****(Question Serial No. 2010)**

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the Budget Speech, the organisation of financial forums was mentioned in the part regarding “Building the Hong Kong Brand on All Fronts”. In this connection, will the Government inform this Committee of the following:

- (1) please set out in table form the activities held in 2023-24 for promoting the financial industry and the financial services industry of Hong Kong, the number of participants and the expenditures involved, as well as the effectiveness achieved, etc.; and
- (2) the relevant plans of activities for 2024-25 and the estimated expenditures.

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 2)

Reply:

The government has been actively organising various financial events to showcase the advantages, development potential and investment opportunities of Hong Kong as an international financial centre. By bringing together investors and corporates from around the world, financial events can create more cross-sector and cross-field cooperation opportunities, bringing funds to Hong Kong and enhancing our status as an international financial centre. They also facilitate us to keep closer to the pulse of the market, launch new products and services, and strengthen our competitiveness.

Specifically, activities to promote Hong Kong's finance and financial services industry in 2023-24 are as follows:

Date	Activity	Expenditure	Number of Participants and Outcome
30 Oct to	Hong Kong FinTech Week 2023	\$4.1 million (The expenditure was borne by	The event attracted a record high of over 35 000 participants and over 5.5 million views online from over 100 economies,

Date	Activity	Expenditure	Number of Participants and Outcome
5 Nov 2023		Invest Hong Kong (InvestHK))	featured over 800 distinguished speakers and over 700 exhibitors, as well as more than 30 Mainland and international delegations.
6 to 8 Nov 2023	Global Financial Leaders' Investment Summit (2023)	The expenditure involved in the activity was borne by the Hong Kong Monetary Authority (HKMA)	The second Investment Summit received enthusiastic response. The active participation of over 350 top managerial personnel of international financial institutions in the summit, as well as the packed schedule of many guests during their stay in Hong Kong, reflected the vibrancy and significance of Hong Kong as an international financial centre.
7 to 8 Dec 2023	Future Investment Initiative Institute PRIORITY Summit	Most of the expenditure involved in the activity was borne by the organiser and the Hong Kong Exchanges and Clearing Limited	<p>The fact that the Saudi Arabia's flagship summit came to Asia for the first time and chose Hong Kong as the destination is highly significant. It symbolised Hong Kong's important status in connecting the Middle East and Asia.</p> <p>Besides, the summit gathered over 1 000 participants, including representatives of the Saudi government and sovereign wealth fund and brought together political, business, financial leaders and investors from all around the world, providing an important platform for global political and business leaders, academics and experts to exchange views on world trends and topical issues, showcasing Hong Kong's distinct advantages and deepening Hong Kong's ties around the globe.</p>
7 Dec 2023	Hong Kong Sub-forum of the 2023 Guangdong-Hong Kong-Macao Greater Bay Area Fair for Trade in Services	\$0.5 million	Around 150 participants from financial regulatory bodies, industry organisations and the financial sector of the Mainland, Hong Kong and Macao exchanged views on promoting the high-quality development of the financial services industry in the Guangdong-Hong Kong-Macao Greater Bay Area.
8 Dec 2023	Asian Insurance Forum (AIF) 2023	The expenditure involved in the activity was borne by the Insurance Authority (IA)	The AIF delved into contemporary topics through discussions among around 1 700 leading players and experts in the insurance and financial markets, as well as the authorities in Hong Kong, in the Mainland and from abroad. Hong Kong's unique positioning and competitive advantages as an international financial

Date	Activity	Expenditure	Number of Participants and Outcome
			centre and global insurance hub were always emphasised in the forum.
24 to 25 Jan 2024	Asian Financial Forum 2024	\$7 million (budget)	The Asian Financial Forum is Hong Kong's annual flagship event and a key event for the region's financial community. The forum successfully attracted over 3 600 participants from 50 countries and regions to attend it on site to discuss global economic and financial issues, and explore collaboration opportunities.
1 Mar 2024	"Green Fintech: Catalyst for Scaling Sustainable Finance" seminar	The expenditure involved in the activity was borne by the Securities and Futures Commission and the Hong Kong Cyberport Management Company Limited	Around 100 experts from local green financial technology (fintech) firms, financial institutions and academia explored the application of green fintech in scaling sustainable capital markets and meeting regulatory expectations to bolster Hong Kong's edge as an international green technology and financial centre. The Prototype Hong Kong Green Fintech Map was launched at the seminar.
25 Mar 2024	One Earth Summit	The expenditure involved in the activity was borne by the organiser, with InvestHK sponsoring \$1.8 million	The summit brought over 1 000 government representatives, entrepreneurs, and academics worldwide to discuss climate issues of high importance to the financial sector, particularly on achieving net-zero emissions and creating a transformation blueprint for the good of nature. The summit showcased Hong Kong's important role in leading green and sustainable financial development in the region.
27 Mar 2024	The Second Wealth for Good in Hong Kong Summit	\$9.5 million	The summit drew over 400 influential decision makers from global family offices and their professional teams to explore investment opportunities and effective wealth management amid the volatile global economic climate, showcasing Hong Kong's long-standing vision as a leading hub for family offices and international asset and wealth management.

Detailed arrangements of activities to promote Hong Kong's finance and financial services industry in 2024-25 are still under planning, which include:

	Activity	Budgeted expenditure
1.	Insurance-linked Securities Conference	The expenditure involved in the activity will be borne by the IA
2.	Hong Kong FinTech Week 2024	The expenditure involved in the activity, estimated at \$5.2 million, will be borne by InvestHK
3.	Global Financial Leaders' Investment Summit (2024)	The expenditure involved in the activity will be borne by the HKMA
4.	Asian Insurance Forum 2024	The expenditure involved in the activity will be borne by the IA
5.	Asian Financial Forum 2025	\$7 million

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2011)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Matters Requiring Special Attention in 2024-25 that the Government will promote the issuance and trading of Renminbi (RMB) securities in Hong Kong. In this connection, will the Government inform this Committee of:

- (1) the offerings, issuers of offshore RMB securities in the past 3 years and the sum of money involved in table form;
- (2) the allocation of the financial resources earmarked for supporting the promotion of the issuance and trading of RMB securities, and the sufficiency of the resources; and
- (3) the future plans for promoting the issuance and trading of RMB securities in Hong Kong?

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 3)

Reply:

- (1) Hong Kong is a leading offshore Renminbi (RMB) business hub with a total RMB deposit exceeding RMB 1 trillion as of end-2023, representing a year-on-year growth of 8%, and is home to the world's largest offshore RMB liquidity pool. To complement the new development paradigm of our country and cater for the increasing demands from global investors for RMB asset allocation, the Government, along with financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX), has been actively promoting the issuance and trading of RMB securities and other investment products in Hong Kong, strengthening Hong Kong's functions as a global offshore RMB business hub.

The HKEX launched the "Hong Kong Dollar (HKD)-RMB Dual Counter Model" (dual-counter model) and the "Dual Counter Market Maker" regime in June 2023. To create favorable conditions for market makers to engage in market making and liquidity providing activities with lower transaction costs, the Government has amended the law

to exempt the stamp duty of specific transactions made by dual-counter market makers. A total of 24 issuers have adopted the dual-counter model and provided HKD and RMB securities trading, and the number of dual-counter market makers has increased from 9 when the model was initially launched to 12 currently. The list of issuers¹ that have adopted the dual-counter model is as follows –

S/N	Issuer
1.	Hang Seng Bank
2.	Sun Hung Kai Properties
3.	Sensetime
4.	Geely Automobile
5.	China Resources Beer Holdings
6.	Hong Kong Exchanges and Clearing Limited
7.	Tencent
8.	China National Offshore Oil Corporation
9.	China Mobile
10.	Lenovo
11.	Kuaishou Technology
12.	BYD
13.	AIA
14.	Xiaomi
15.	Anta Sports Products
16.	Ping An Insurance
17.	Li Ning
18.	Great Wall Motor
19.	Bank of China Hong Kong
20.	Meituan
21.	JD Health International
22.	JD.com
23.	Baidu
24.	Alibaba

Apart from RMB stocks, the total amount of RMB bonds issued in Hong Kong reached RMB 494.5 billion in 2023, in which corporate issuance accounted for around half of the total at RMB 238.9 billion, and the total issuance amount is more than double that of 2021 at RMB 229.6 billion. In the first two months of 2024, the total RMB bond issuance reached RMB 87.7 billion.

As of end-2023, there are 131 debt securities denominated in RMB listed on HKEX, with issuers including corporations, the HKSAR Government, Mainland local people's governments, the Mainland's Ministry of Finance, etc. The list of RMB-denominated debt securities by issuer is set out in [Appendix 1](#).

¹ Only involving establishing RMB counter and not fundraising.

In terms of RMB funds, there are 45 funds (including exchange-traded funds (ETFs) and real estate investment trusts) denominated in RMB listed on HKEX, representing an increase of nearly 20% compared with 38 funds as of end-2021. The ETFs track various underlying assets including stock indices, bond indices, money market, gold prices, etc. The list of RMB-denominated funds² listed on HKEX is set out in **Appendix 2**.

As of December 2023, there are 801 unlisted authorised investment products investing in RMB assets or denominated in RMB, including funds investing in Mainland stock and bond markets, RMB paper gold schemes, RMB structured products, etc.

(2) and (3)

With the progressing of RMB internationalization, the amount of RMB cross-border payment and its share in global payments will continue to increase and the number of overseas investors holding RMB will gradually increase. The Government will continue to put more effort into promoting offshore RMB business at various levels.

Among them, since the launch of the dual-counter model, the relevant transactions and settlements have operated smoothly, providing a platform for such key aspects as the issuance, trading, market making and settlement of RMB securities in Hong Kong, and accumulating operational experience to promote market participants to further utilize the RMB securities market in Hong Kong in the future. The dual-counter model will facilitate more overseas investors to allocate assets in RMB and enhance RMB's function as an international investment currency, while increasing the channels for RMB investment in Hong Kong, enriching the types of offshore RMB business in Hong Kong, and continuously elevating the expandability and liquidity of the market. Through promotional activities including visits, coorganising activities with local organisations, participating in outreach activities, holding industry education activities, assisting in roadshows of relevant companies, etc., the Government and HKEX will promote the opportunities for allocating high quality equity assets via the RMB counters with a focus on overseas economies that conduct cross-border trade in RMB, such as the Middle East and South East Asia regions. HKEX is also proactively communicating with listed issuers to add RMB counters and will expand the number of securities under the dual-counter model at an appropriate time.

The Government and financial regulators will continue to explore with relevant Mainland authorities various proposals on expanding mutual market access and enriching product choices. A working group established by the Securities and Futures Commission, HKEX and the Hong Kong Monetary Authority is closely communicating with the relevant Mainland institutions on the inclusion of RMB counters under Southbound Trading of Stock Connect, seeking to make preparations for its implementation.

² Only involving issuing products and not fundraising.

We will also explore how to further enhance Southbound Trading of Bond Connect, with a view to expanding Hong Kong's bond market, facilitating the issuance and trading of more diverse dim sum bonds, and developing the offshore RMB fixed income ecosystem. Furthermore, the Government and financial regulators will continue to communicate with the relevant Mainland institutions concerning the provision of more diversified risk management tools, including launching Mainland Government bond futures in Hong Kong.

The relevant work that involves the Government is part of the regular duties of the Financial Services Branch (FSB), and the manpower and expenditure involved have been included in the overall establishment and expenditure of the FSB. There is no itemised breakdown of expenditure.

S/N	Name of Debt Security
1.	Agricultural Bank of China Ltd., HK Branch 2.90% CNY N2024
2.	Agricultural Bank of China Ltd., HK Branch 2.97% CNY N2025
3.	Agricultural Development Bank of China 2.85% CNY Bonds 2025
4.	Agricultural Development Bank of China 3.40% CNY Bonds 2024
5.	Bank of China Ltd, acting thru Sydney Branch 2.95% CNH N2025
6.	Bank of China Ltd., Frankfurt Branch 3.20% CNY Notes 2025
7.	Bank of China Ltd., Hong Kong Branch 2.93% CNH Notes 2025
8.	Bank of China Ltd., Luxembourg Branch 2.98% CNY Notes 2026
9.	Bank of China Ltd., Macau Branch 2.85% CNY Notes 2025
10.	Bank of China Ltd., Macau Branch 3.08% CNY Notes 2026
11.	Bank of Communications Co. Ltd. Hong Kong Br 3.20% CNY N2024
12.	Bank of Communications Co., Ltd. HK Branch 2.97% CNY N2025
13.	Bank of Communications Co., Ltd. HK Branch 3.05% CNY N2024
14.	Bank of Communications Co., Ltd. HK Branch 3.15% CNY N2024
15.	CCB London Branch 2.80% Senior Green CNY Notes 2025
16.	CCB London Branch 3.40% Senior Green CNY Notes 2024
17.	Charming Light Investments Ltd. 5.50% CNY Notes 2025
18.	Charter Style International Ltd. 5.80% Guar. CNY Bonds 2024
19.	Chengda International Co., Ltd. 3.98% Guaranteed CNY B2026
20.	Chengdu Xinjin City Ind Dev Gp Co 4.60% Credit Enh CNY B2026
21.	China Construction Bank (Asia) Corp Ltd.4.08% CNY Notes 2024
22.	China Development Bank 4.20% CNY Bonds 2027
23.	China Development Bank 4.30% CNY Bonds 2032
24.	China Development Bank 4.35% CNY Notes 2024
25.	China Development Bank 4.5% CNY Notes 2028
26.	China Development Bank HK Branch 2.65% CNY Notes 2024
27.	China Development Bank Hong Kong Branch 2.95% CNY Notes 2027
28.	China Everbright Bank Co., Ltd., HK Branch 2.95% CNY N2025
29.	China Minsheng Banking Corp., Ltd. HK Branch 3.15% CNY N2025
30.	Chongqing Wansheng Ind Park Dev&Constr Co 7.50% CNY B2026 B
31.	Chongqing Wansheng Ind Park Dev&Construct Co 7.50% CNY B2026
32.	Chongqing Xinshuangquan Urban C&D Co. 4.90% Cr Enh CNY B2026
33.	CMS International Gemstone Ltd. 3.30% Guaranteed CNY N2026
34.	CSCIF Asia Ltd. 3.15% Guaranteed CNY Notes 2025
35.	CSCIF Asia Ltd. 3.25% Guaranteed CNY Notes 2026
36.	CSI MTN Ltd. 3.10% CNY Guaranteed Notes 2026
37.	Dujiangyan Urban & Rural Construct Gp 4.80% Cr Enh CNY B2026
38.	Far East Horizon Ltd. 4.70% CNY Notes 2024
39.	Fujian Zhangzhou City Inv Gp Co Ltd 4.30% Sustain CNY B2026
40.	Gansu Highway Aviation Tourism Inv Gp3.90%Cr Enh G CNY B2026
41.	GLP China Holdings Ltd. 4.00% CNY Notes 2024
42.	Haitong Int'l Finance Holdings Ltd. 3.20% Guar CNY N2026
43.	Hong Kong Mortgage Corporation Ltd. 2.70% CNY Notes2024, The
44.	Hong Kong Mortgage Corporation Ltd. 2.98% CNY N2026
45.	Hong Kong Mortgage Corporation Ltd. 3.00% CNY N2025
46.	Hong Kong Mortgage Corporation Ltd. 3.175% CNY N2025

S/N	Name of Debt Security
47.	Hong Kong Mortgage Corporation Ltd. 3.40% CNY N2025
48.	Hong Kong Mortgage Corporation Ltd. 3.00% CNY Notes 2024
49.	ICBC, Dubai (DIFC) Branch 3.20% CNY Notes 2024
50.	ICBC, Dubai (DIFC) Branch 3.200% CNY Notes 2025
51.	ICBC, Singapore Branch 3.00% CNY Notes 2025
52.	ICBC, Sydney Branch 4.2% CNY Notes 2024
53.	ITG Holding Investment (HK) Ltd. 4.30% Guaranteed CNY B2024
54.	Jiangyin State-owned Assets Hldg (Gp) Co Ltd 3.93% CNY B2026
55.	Jiaxing City Investment and Dev Gp Co Ltd 4.00% CNY B2026
56.	Jinan Zhangqiu Holding Group Co., Ltd. 7.00% CNY Notes 2024
57.	Jingdezhen Hesheng Ind Inv Dev Co 3.90% Credit Enh CNY B2026
58.	Longchuan Overseas Inv Co Ltd 3.75%Credit Enh Guar CNY B2026
59.	Mengcheng Dev Zone Xingmeng Inv Co 5.00%Credit Enh CNY B2026
60.	Ministry of Finance of the PRC 2.20% CNY Bonds 2025
61.	Ministry of Finance of the PRC 2.20% Two-Year CNY Bonds 2025
62.	Ministry of Finance of the PRC 2.30% Three-Year CNY B2026
63.	Ministry of Finance of the PRC 2.44% Two-Year CNY B2024 B
64.	Ministry of Finance of the PRC 2.50% CNY Bonds 2026
65.	Ministry of Finance of the PRC 2.52% Five-Year CNY B2028
66.	Ministry of Finance of the PRC 2.55% Three-Year CNY B2025
67.	Ministry of Finance of the PRC 2.71% Ten-Year CNY Bonds 2033
68.	Ministry of Finance of the PRC 2.75% Five-Year CNY B2027 B
69.	Ministry of Finance of the PRC 2.82% Ten-Year CNY B2032
70.	Ministry of Finance of the PRC 3.03% CNY Bonds 2024
71.	Ministry of Finance of the PRC 3.31% CNY Bonds 2025
72.	Ministry of Finance of the PRC 3.38% CNY Bonds 2024
73.	Ministry of Finance of the PRC 3.38% CNY Bonds 2026
74.	Ministry of Finance of the PRC 3.39% CNY Bonds 2025
75.	Ministry of Finance of the PRC 3.48% CNY Bonds 2027
76.	Ministry of Finance of the PRC 3.60% CNY Bonds 2028
77.	Ministry of Finance of the PRC 3.60% CNY Bonds 2030
78.	Ministry of Finance of the PRC 3.85% CNY Bonds 2026
79.	Ministry of Finance of the PRC 3.90% CNY Bonds 2036
80.	Ministry of Finance of the PRC 3.95% CNY Bonds 2043
81.	Ministry of Finance of the PRC 4.00% CNY Bonds 2024
82.	Ministry of Finance of the PRC 4.00% CNY Bonds 2035
83.	Ministry of Finance of the PRC 4.10% CNY Bonds 2045
84.	Ministry of Finance of the PRC 4.15% CNY Bonds 2027
85.	Ministry of Finance of the PRC 4.15% CNY Bonds 2031
86.	Ministry of Finance of the PRC 4.29% CNY Bonds 2029
87.	Ministry of Finance of the PRC 4.40% CNY Bonds 2046
88.	Ministry of Finance of the PRC 4.50% CNY Bonds 2034
89.	MTR Corporation Ltd. 2.80% Fixed Rate CNY Notes 2024
90.	MTR Corporation Ltd. 2.85% Green Fixed Rate CNY Notes 2024
91.	MTR Corporation Ltd. 2.90% Fixed Rate CNY Notes 2024
92.	MTR Corporation Ltd. 3.00% Fixed Rate CNY Notes 2028
93.	MTR Corporation Ltd. 3.04% Fixed Rate CNY Notes 2025

S/N	Name of Debt Security
94.	MTR Corporation Ltd. 3.25% Fixed Rate CNY Notes 2025
95.	Panzhihua City Constr & Transport Co 4.65% Cr Enh CNY B2026
96.	People's Govt of Hainan Province of the PRC 2.42% CNY B2024
97.	People's Govt of Hainan Province of the PRC 2.45% CNY B2025
98.	People's Govt of Hainan Province of the PRC 2.53% CNY B2026
99.	People's Govt of Hainan Province of the PRC 2.65% CNY B2025
100.	People's Govt of Hainan Province of the PRC 2.70% CNY B2028
101.	People's Govt of Hainan Province of the PRC 2.85% CNY B2027
102.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.70% CNY B2024
103.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.90% CNY B2026
104.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.40% CNY B2025
105.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.42% CNY B2024
106.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.55% CNY B2026
107.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.65% CNY B2025
108.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.75% CNY B2028
109.	People's Govt of SZ Municipality of Guangdong Province of the PRC 2.83% CNY B2027
110.	Pingtang Comp Pilot Zone City Dev Gp Co 5.60% Green CNY B2026
111.	Pioneer Reward Ltd. 2.85% Guaranteed CNY Bonds 2025
112.	Qingdao Jiaozhou Bay Development Gp Co. Ltd. 5.50% CNY B2026
113.	SAIC-GMAC Automotive Finance Co. Ltd. 3.20% CNY Notes 2025
114.	Shaanxi Xixian New Area Fengxi Dev Gp 4.95% Cr Enh CNY B2026
115.	Shandong Commercial Group Co. Ltd 3.90% Credit Enh CNY B2026
116.	Swire Properties MTN Financing Ltd. 3.30% Green CNY N2025
117.	Swire Properties MTN Financing Ltd. 3.55% Green CNY N2028
118.	The Export-Import Bank of China 4.40% CNY Bonds 2024
119.	The Govt of the HKSAR of the PRC 2.70% CNY Notes 2025
120.	The Govt of the HKSAR of the PRC 2.80% CNY Notes 2024
121.	The Govt of the HKSAR of the PRC 2.95% CNY Notes 2028
122.	The Govt of the HKSAR of the PRC 3.00% CNY Notes 2025
123.	The Govt of the HKSAR of the PRC 3.00% CNY Notes 2026
124.	The Govt of the HKSAR of the PRC 3.30% CNY Notes 2028
125.	The Govt of the HKSAR of the PRC 3.30% CNY Notes 2033
126.	Urumqi Gaoxin Invest and Dev Group Co., Ltd. 5.50% CNY B2026
127.	Vanke Real Estate (Hong Kong) Co. Ltd. 3.45% CNY Notes 2024
128.	Vanke Real Estate (Hong Kong) Co. Ltd. 3.55% CNY Notes 2025
129.	Yancheng State-Owned Energy Inv Co 3.85% Credit Enh CNY B2026
130.	Yi Bright International Ltd. 3.75% Credit Enh Guar CNY B2026
131.	Zibo Caijin Holding Group Co Ltd 3.70% Credit Enh CNY B2026

S/N	Fund
1.	Hui Xian Real Estate Investment Trust
2.	Hang Seng RMB Gold ETF
3.	ChinaAMC CSI 300 Index ETF
4.	CSOP FTSE China A50 ETF
5.	Harvest MSCI China A Index ETF
6.	Hang Seng China A Industry Top Index ETF
7.	Value Gold ETF
8.	Bosera STAR 50 Index ETF
9.	ICBC CSOP FTSE Chinese Government & Policy Bank Bond Idx ETF
10.	Haitong CSI300 Index ETF
11.	CSOP RMB Money Market ETF
12.	CSOP SZSE ChiNext ETF
13.	Hang Seng China Enterprises Index ETF
14.	AMUNDI Hang Seng HK 35 Index ETF
15.	iShares Core MSCI Asia ex Japan ETF
16.	AMUNDI FTSE China A50 Index ETF
17.	iShares Core Hang Seng Index ETF
18.	iShares Core CSI 300 ETF
19.	iShares FTSE China A50 ETF
20.	ICBC CSOP S&P New China Sectors ETF
21.	ChinaAMC Bloomberg China Treasury+Policy Bank Bond Index ETF
22.	CSOP Hong Kong Dollar Money Market ETF
23.	CICC Bloomberg China Treasury 1-10 Years ETF
24.	CSOP CSI 500 ETF
25.	Haitong MSCI China A ESG ETF
26.	Hang Seng Harvest CSI 300 Index ETF
27.	Harvest CSI 300 ESG Leaders Index ETF
28.	Premia China Treasury and Policy Bank Bond Long Duration ETF
29.	Premia China USD Property Bond ETF
30.	Premia China STAR50 ETF
31.	iShares China Government Bond ETF
32.	iShares Short Duration China Policy Bank Bond ETF
33.	ChinaAMC MSCI China A 50 Connect ETF
34.	E Fund (HK) MSCI China A50 Connect ETF
35.	CICC Carbon Futures ETF
36.	Global X Bloomberg MSCI Asia Ex Japan Green Bond ETF
37.	Tracker Fund of Hong Kong
38.	ChinaAMC HSI ESG ETF
39.	Bosera RMB Money Market ETF
40.	E Fund (HK) CSI Liquor Index ETF
41.	Hang Seng Stock Connect China A Low Carbon Index ETF
42.	BOCHK Greater Bay Area Climate Transition ETF
43.	ChinaAMC RMB Money Market ETF
44.	Bosera USD Money Market ETF
45.	CSOP Saudi Arabia ETF

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)130

(Question Serial No. 2012)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government launched the Pilot Green and Sustainable Finance Capacity Building Support Scheme in 2022 and earmarked \$200 million for the scheme. In this connection, please inform this Committee of:

- (1) how the allocation for the scheme has been used so far;
- (2) the number of financial practitioners and relevant professionals receiving subsidies under the scheme, their background, as well as the effectiveness of the scheme; and
- (3) in respect of future collaboration with higher education institutions, organisations and other regions, the plans to further enhance the nurturing and training of talents for green and sustainable financial development.

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

Reply:

(1) and (2)

Talent nurturing is crucial to further promoting green and sustainable finance. The Government launched in 2022 the 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. Upon completing eligible programmes or accomplishing relevant qualifications, applicants can apply for reimbursement of up to \$10,000. The Pilot Scheme helps alleviate the cost of personnel training for local industries and assists them in building up professional teams and talent pool in green finance. It ties in with industry efforts in strengthening resilience to climate risks and seizing the green finance-related opportunities within the region.

The Pilot Scheme has been well received by the industry since its launch. As of early March 2024, about 2 200 reimbursement applications were approved, involving a total reimbursement amount of around \$12 million. Among the approved applications, close to 70% of the applicants were current or former practitioners in the financial services industry or non-financial services industries with responsibilities involving green and sustainable finance considerations, while the rest were students or graduates of relevant disciplines. There were 63 eligible programmes and qualifications, including green and sustainable finance programmes and qualifications related to banking services, asset management, insurance industry, etc. These are provided by the professional and continuing education schools of local universities, professional institutions, international training providers, etc., and the list will continue to be updated.

- (3) Formed by relevant Government Bureaux, financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX), the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) is committed to promoting local talent development for green and sustainable finance. In July 2021, the Steering Group launched the Centre for Green and Sustainable Finance (GSF Centre), which coordinates the efforts of financial regulators, relevant Government agencies, industry stakeholders and academia in capacity building, data collection and analysis, etc. The GSF Centre has then launched a series of repositories, covering training information, internship opportunities and data source. In October 2022, the Steering Group launched the Sustainable Finance Internship Initiative to create more sustainable finance internship opportunities in Hong Kong for students, supporting the development of the green and sustainable finance talent pool in Hong Kong. The Steering Group also conducted 5 training seminars in January and February 2023, at which representatives from financial regulators as well as experts from the academia and industry were invited to share insights to deepen interns and university students' understanding of sustainable finance. Moreover, HKEX has been actively taking forward market education by partnering with academic institutions, industry associations and non-governmental organisations to deepen the market's understanding of environmental, social and governance (ESG) matters (including climate change issues) and to nurture talents in respect of sustainable finance.

As for regional cooperation, the Financial Services and the Treasury Bureau and the Securities and Futures Commission co-hosted the Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Cooperation Meeting in April 2023 to discuss the work directions for further deepening regional collaboration (including capacity building) to create a comprehensive green and sustainable finance ecosystem. HKEX signed memoranda of understanding with China Emissions Exchange Shenzhen and China Beijing Green Exchange in October and November 2023 respectively to promote the development of the carbon market ecosystem and green finance, covering market education and capacity building on climate investment and financing as well as ESG data. During the Hong Kong Green Week held in end February to early March this year, the Hong Kong Monetary Authority (HKMA) and the International Finance Corporation, a member of the World Bank Group, co-hosted the three-day Climate Business Forum: Asia Pacific, which brought together political and business leaders as well as industry representatives from the Asia-Pacific region to delve into important financial issues in respect of green transformation. The HKMA will also co-host the Joint Climate Finance Conference with the Dubai Financial Services Authority in Hong

Kong in the upcoming autumn, which will discuss the opportunities and challenges of promoting transition finance in the Middle East and Asia.

Looking forward, the Government and financial regulators will continue to promote and enhance the above measures, striving to provide training support for and facilitating information exchange in the industry.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2013)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Hong Kong Academy for Wealth Legacy (HKAWL), established in 2023 under the Financial Services Development Council (FSDC), provides a comprehensive talent training platform for the family office sector, asset owners and wealth inheritors, with a view to facilitating the development of family offices in Hong Kong. As stated in the Estimates of Expenditure, the provision for the FSDC for 2024-25 is \$15.8 million (49.8%) higher than the revised estimate for 2023-24. This is because additional funding is provided to the FSDC for supporting the operation of the HKAWL and strengthening the FSDC's policy research and market promotion efforts. In this connection, would the Government inform this Committee of:

- (1) the operation of the HKAWL so far, including the number and types of activities organised, the number of participants and the effectiveness of such activities;
- (2) the estimated expenditure and manpower for supporting the operation of the HKAWL in 2024-25; and
- (3) the plans of the HKAWL to further establish exchange platforms for the industry and hence consolidate Hong Kong's status as an international asset management centre in 2024-25?

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

Reply:

Since its establishment in November 2023, the Hong Kong Academy for Wealth Legacy (HKAWL) has organised and participated in different industry exchange activities to promote Hong Kong as a leading global family office hub. The HKAWL co-organised a family office symposium with the Private Wealth Management Association and the Hong Kong Trade Development Council on 25 January 2024 to discuss topics relating to family wealth, family enterprises, etc. On 4 March 2024, the Executive Director of the HKAWL participated in the first Asia-Pacific Family Office Development Forum as a guest speaker to

share the latest developments in promoting family offices in Hong Kong. The HKAWL will collaborate with the Hong Kong Council of Social Service to co-host a policy dialogue session titled “Emerging Trends of Philanthropy and Impact Investment in Asia: Opportunities and Challenges” at the annual “S+ Summit cum Expo” in May 2024.

Moreover, the HKAWL plans to organise no less than 7 training, knowledge sharing and networking activities for asset owners and family office practitioners in 2024-25, which are expected to be attended by around 400 participants.

Among the \$47.5 million Government subvention to the Financial Services Development Council (FSDC) in 2024-25, \$3 million will be reserved for the HKAWL. The FSDC will also absorb the manpower and costs of the HKAWL’s daily operation with its available resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)132

(Question Serial No. 2152)

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 emphasised in the Budget Speech that the financial industry is a pillar of Hong Kong's economy, and that Hong Kong is our country's international financial centre. In view of the impact of geopolitical risks on our politics and economy, please inform this Committee of the policy measures taken to maintain the soundness and stability of our financial system and ensure the economic security and financial security of Hong Kong, thereby sustaining the confidence of investors. What is the estimated expenditure involved?

Asked by: Hon TANG Fei (LegCo internal reference no.: 36)

Reply:

Financial security is crucial to national sovereignty, security, and development. Despite the external uncertainties, Hong Kong's financial market has been operating smoothly and the financial system has maintained resilience, thanks to a robust and mature regulatory regime as well as a rigorous institutional framework for monitoring systemic risks. Solid buffers and strengths are built into Hong Kong's financial market, supported by vast foreign currency reserves and abundant liquidity in the banking system. The capital adequacy ratio is well above the minimum requirement of international regulatory standards. Trading of securities is orderly.

Notwithstanding, the Government spares no effort in maintaining Hong Kong's financial security, and has put in place contingency plans for coping with various risks with a "bottom-line mindset". Specifically, the Government has established an effective collaboration mechanism for coordinating with financial regulators in conducting all-round and cross-market surveillance. The focus is placed on data analysis and information exchange for monitoring various activities in different segments of the financial market in a holistic and timely manner. The Government and financial regulators have also formulated comprehensive response plans and coordination mechanisms for handling emergencies that would disrupt market order, and maintained a high degree of vigilance and preparedness.

The Government and financial regulators will review the regulatory systems continually and improve relevant regulations as appropriate taking account of the latest market development, with a view to further strengthening investor protection and ensuring the soundness and security of the financial system.

The Financial Services and the Treasury Bureau handles the work involved with existing resources. There is no itemised breakdown of expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)133

(Question Serial No. 1204)

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 76 of this year's Budget Speech that "being an international financial centre, Hong Kong is also rising as an international green finance centre". It is mentioned in last year's Budget that "the launch of Core Climate by the Hong Kong Exchanges and Clearing Limited last October (i.e. 2022) for the trading of international voluntary carbon credits signifies a critical step forward in the development of carbon marketplace in Hong Kong". In this connection, will the Government inform this Committee of: over the past year, what progress has been made on the development of carbon marketplace in Hong Kong? What long-term plans does the Government have in this regard?

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 15)

Reply:

We are extending our efforts to build Hong Kong into an international carbon hub to connect opportunities across the Mainland, Asia and the rest of the world. Hong Kong Exchanges and Clearing Limited (HKEX) launched an 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. The platform's registered participant number has tripled to around 80 by end of 2023.

HKEX signed a Memorandum of Understanding (MOU) with the China Emissions Exchange Shenzhen (CEEX Shenzhen) in October 2023 to cooperate in accelerating the carbon market ecosystem development in Hong Kong and across the Greater Bay Area (GBA). Under the MOU, HKEX and CEEX Shenzhen will jointly explore opportunities in cross-border carbon market connectivity and climate finance, as well as work together to increase awareness of developing the voluntary carbon market in the GBA.

HKEX signed a MoU with the China Beijing Green Exchange (CBGEX) in November 2023 to explore cooperation in a number of areas. Under the MOU, HKEX and CBGEX will work together to explore cross-border sustainable development, in particular addressing the demand generated from the Mainland's increased focus on green infrastructure investments and its shift to a low-carbon economy. The two exchanges will also explore opportunities in the carbon market.

Looking ahead, the Government will continue to promote the best use of synergy between HKEX and their Mainland counterparts in building a dynamic regional marketplace that encourages innovation, offers access to high-quality carbon projects and facilitates the interaction between the carbon markets in the Mainland and overseas.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)134

(Question Serial No. 1205)

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 95 of the Budget Speech that the Government will expand the scope of e-CNY pilot testing in Hong Kong. Members of the public may set up e-CNY wallets easily for use and for topping up funds by the Faster Payment System (FPS), thereby further enhancing the efficiency and user experience of cross-boundary payment services. At present, it is extremely inconvenient for Hong Kong residents without a Mainland bank account to top up funds on electronic money platforms so as to make payments in the Mainland. In this connection, will the Government inform this Committee of whether, under the pilot testing of e-CNY, Hong Kong residents will be allowed to top up their e-CNY wallets via the FPS using Hong Kong dollar, and in other words, all Hong Kong residents using the FPS will be able to make payments in the Mainland without obstacle? What is the implementation schedule?

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 16)

Reply:

The People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) have been working closely to press ahead the preparatory work on using e-CNY for cross-boundary payment. In early 2024, 4 e-CNY operating institutions and 18 banks in Hong Kong completed a drill in Hong Kong smoothly, involving topping up e-CNY wallets via the Faster Payment System (FPS) and making merchant payments via e-CNY wallets. Merchants participating in the drill included retail chains, restaurants, supermarkets, etc. The overall technical operation was smooth.

At present, e-CNY has not been officially launched in Hong Kong. The HKMA and the PBoC will continue to enhance the cross-boundary pilot outcome of e-CNY by expanding the scope of e-CNY pilot testing, supporting more institutions and merchants to participate in the pilot testing as well as covering more use cases of cross-boundary payment. By then, more residents may set up e-CNY wallets easily for use and for topping up funds by the FPS,

thereby further enhancing the efficiency and user experience of cross-boundary payment services. The use of e-CNY will provide residents of the two places with another safe, convenient and innovative option for cross-boundary retail consumption. When e-CNY is officially launched in future, we will actively promote the local merchants to accept e-CNY as a payment means. The HKMA will announce the details in due course.

Hong Kong has a well-developed e-payment ecosystem with a number of non-cash payment options available to the public. At present, major QR code e-wallets in the market could support the cross-boundary payment needs of both Mainland and Hong Kong users. Regarding payment by Mainland users in Hong Kong, the two common e-wallet operators (Alipay and WeChat Pay) each have more than 150 000 Hong Kong retail merchants accepting its Mainland version of the e-wallet. Retail shops and restaurants located in large shopping malls and tourist areas are covered. As for payment by Hong Kong people in the Mainland, major e-wallets and retail payment operators in Hong Kong, including Octopus, AlipayHK, WeChat Pay HK and UnionPay, have provided cross-boundary retail payment services to Hong Kong users.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0503)

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 137 of the Budget Speech that the Government will extend the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts for 3 years, and set up a task force to discuss with the industry measures for further developing the asset and wealth management industry. In this connection, will the Government inform this Committee of the following:

1. What are the details of applications made and approved under the Scheme since its launch in 2021? According to the Government's assessment, have the intended outcomes and objectives been achieved, or has the Government decided to extend the Scheme in view of its unsatisfactory outcomes?
2. As far as the proposed task force is concerned, what is the preliminary plan for its composition? Apart from the financial sector, will there be any members representing the real estate and surveying sectors?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 43)

Reply:

- (1) The Government is committed to strengthening Hong Kong's competitive edge as a premier international asset management centre through various measures. To further attract the set-up of open-ended fund companies (OFCs) and real estate investment trusts (REITs) in Hong Kong, the Government and the Securities and Futures Commission (SFC) launched the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) in May 2021 to provide funding support for OFCs set up or re-domiciled to Hong Kong and REITs listed in Hong Kong to pay the eligible expenses charged by Hong Kong-based professional service providers. As of March 2024, the SFC has approved 211 OFC and 1 REIT applications.

Since the introduction of the Grant Scheme, the number of OFCs registered in Hong Kong has increased substantially from 14 in May 2021 to 302 in March 2024. The Grant Scheme has effectively promoted the fund industry's development and is well-received by the industry. In this light, the 2024-25 Budget has announced the extension of the Grant Scheme for 3 years to 2027 to strengthen the development of OFCs and REITs in Hong Kong.

- (2) The Government will set up a task force to discuss with the industry measures for further developing the asset and wealth management industry. Membership would cover relevant Government departments, financial regulators and practitioners of the financial services industry. Details will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)136

(Question Serial No. 0504)

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 Government's bond issuance programmes mentioned in paragraphs 142 and 143 of the Budget Speech, would the Government inform this Committee of the following:

1. For the existing Government Bond Programme, Government Green Bond Programme and Silver Bond, what are the respective numbers of batches issued, issuance sizes and subscription rates, as well as the related administrative costs and interest expenses over the past 5 years?
2. Under the upcoming Infrastructure Bond Scheme, are the bonds issued for funding specific infrastructure or development projects, or solely for funding projects under the Capital Works Reserve Fund? What are the considerations involved?
3. What are the respective amounts of infrastructure bonds and Government sustainable bonds earmarked for priority investment by Mandatory Provident Fund (MPF) funds? What are the details of the implementation approach? Will the Government require all MPF intermediaries to provide for their scheme members the option to invest in the relevant government bonds through MPF schemes?
4. Of the \$70 billion retail bonds to be issued by the Government in 2024-25, \$50 billion is intended to be silver bonds, meaning that non-silver retail bonds may only account for \$20 billion. What are the considerations involved? Will the Government duly increase the issuance size/proportion of non-silver retail bonds in the light of their popularity, so as to enhance the "sense of participation" in Hong Kong's infrastructure and sustainable development among non-elderly citizens?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 44)

Reply:

In consultation with the Hong Kong Monetary Authority (HKMA) and the Mandatory Provident Fund Schemes Authority (MPFA), our reply is as follows.

- (1) For the Government Bond Programme (GBP, which includes previous issuances of Silver Bond under the retail part of such) and the Government Green Bond Programme (GGBP), the numbers of batches issued, issuance sizes, subscription rates, administrative costs and interest expenses over the past 5 years (2019-20 to 2023-24) are as follows -

GBP (including previous issuances of Silver Bond)

Financial Year	Number of batches	Issuance Size (HK\$ million)	Subscription rate (times)	Administrative cost (HK\$ million)	Interest expense (HK\$ million)
2019-20	9	20,800	3.46 to 4.38	11	1,762
2020-21	10	48,400	2.65 to 3.42	60	1,546
2021-22	12	70,000	2.46 to 6.42	98	3,023
2022-23	17	70,500	2.16 to 6.03	68	4,536
2023-24	15	82,000	2.30 to 5.02	102	6,977

Silver Bond only:

Financial Year	Number of batches	Issuance Size (HK\$ million)	Subscription rate (times)	Administrative cost (HK\$ million)	Interest expense (HK\$ million)
2019-20	1	3,000	2.6	Not applicable	259
2020-21	1	15,000	4.3		211
2021-22	1	30,000	2.8		1,228
2022-23	1	45,000	1.8		2,483
2023-24	1	55,000	1.4		4,629

GGBP

Financial Year	Number of batches	Issuance Size (HK\$ million)	Subscription rate (times)	Administrative cost (HK\$ million)	Interest expense (HK\$ million)
2019-20	1	7,849	4.5	7	98
2020-21	1	19,382	6.4	<1	194
2021-22	1	29,255	2.1	13	442
2022-23	3	66,131	1.6 to 6.4	51	1,041
2023-24	3	72,609	1.5 to 5.3	33	3,767

- (2) to (4)

All proceeds raised under the IBP will be credited to the Capital Works Reserve Fund (CWRP) for funding eligible projects under the CWRP. The IBP will cover projects under the Government's capital works programme (except for those included or expected to be included in the Government Sustainable Bond Programme (GSBP)), including projects under major infrastructure initiatives such as the Northern Metropolis.

The selection of eligible projects under the IBP will be subject to the review and approval of the Steering Committee, chaired by the Financial Secretary, which oversees both the IBP and GSBP.

The Government plans to issue \$120 billion worth of bond under the IBP and the GSBP in 2024-25, of which \$70 billion will be retail tranche for public subscription (including \$50 billion worth of Silver Bond and \$20 billion worth of non-silver retail bond) to enhance the “sense of participation” in infrastructure and sustainable development among the public. The remaining \$50 billion will be institutional tranche, with a certain proportion to be earmarked for priority investment by Mandatory Provident Fund (MPF) schemes. Under the GGBP, the previous two batches of retail bond issuance each had an issuance size of \$20 billion, enabling residents to participate in Hong Kong’s sustainable development through investment. The issuances were positively received by the market. The final issuance size of retail bond will be determined with reference to the market situation and past issuance experience, and will be subject to the review and approval of the Steering Committee. Details of the abovementioned issuances will be announced in due course.

In addition, for investment by MPF schemes, the HKMA and the MPFA have already put in place a mechanism to earmark a certain proportion of Government green bonds for priority investment by MPF schemes. A similar mechanism will be applied to future issuance of Government infrastructure bonds.

As for the suggestion of requiring MPF intermediaries to provide an option to investment in government bonds, the MPF System adopts the concept of collective investment, which aims to pool contributions from various individual scheme members together into a larger asset size, such that scheme members can invest in a wide range of regulated financial products (including but not limited to Government green bonds and infrastructure bonds) through the funds of their choice, regardless of their contribution amount. This offers scheme members greater diversity in investment products while reducing investment risk. The Government currently has no plan to mandate MPF trustees to establish MPF funds that invest in Government infrastructure bonds and sustainable bonds.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)137

(Question Serial No. 1246)

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 241 of the Speech that the Government will issue bonds of \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. Please inform this Committee what are the interest rates, as well as the annual and total interest expenses of the proposed bonds? What is the actual amount of funds available each year after deducting the cost of bond issuance and interest payments?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 23)

Reply:

In the coming five years, the Government plans to issue bonds of about \$95 billion to \$135 billion per annum under the Government Sustainable Bond Programme and the Infrastructure Bond Programme. In 2024-25, the Government plans to issue \$120 billion worth of bonds under the two programmes. The bond issuance expenses (including interest) are estimated at \$9.017 billion. Such expenses beyond 2024-25 will be subject to actual bond issuance arrangements at the time (including the issuance size and interest rate to be drawn up taking account of the actual market conditions).

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1247)

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 241 of the Budget Speech, the Government will issue bonds of \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. Please advise this Committee on the following:

- (1) Currently, the interest rate for US dollar bonds is about 4.2%. Although the market expects the interest rate to come down this year, the general view is that the rate cut will be limited. To incentivise the public and investors to subscribe for government bonds, is it necessary to set higher interest rates for these bonds than US dollar bonds?
- (2) Will the bond issuance rating of the HKSAR Government be affected if the subscription amount falls short of expectation?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 24)

Reply:

In consultation with the Hong Kong Monetary Authority, our reply is as follows.

In general, when considering a bond investment, an investor will make reference to multiple factors. Apart from interest rate, the issuer, currency type, tenor and use of proceeds will also be considered. In the case of the Infrastructure Bond Programme and the Government Sustainable Bond Programme, the Government will make reference to previous issuance experience and the market situation, among other factors, in formulating the appropriate parameters for future issuances of government bonds. For credit ratings of Hong Kong, international credit rating agencies will consider a basket of factors in assessing Hong Kong's credit ratings. Generally speaking, there is no direct relationship between the subscription rates of the government bonds and credit ratings.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)139

(Question Serial No. 2797)

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 new Capital Investment Entrant Scheme (CIES), what are the details of the specific publicity and promotion plans to be taken forward by Invest Hong Kong from this financial year and over the next 3 financial years? Will the Government set performance indicators for such publicity and promotion plans? If so, what are the details of these performance indicators? If not, what are the reasons?

Has the Government assessed the response to the new CIES for the next 3 financial years and in particular, the inflow of foreign capital and talent into Hong Kong? If so, what are the results of the assessment? If not, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 10)

Reply:

It was announced in the 2023-24 Budget that the New Capital Investment Entrant Scheme (the New Scheme) would be introduced to further enrich the talent pool and attract new capital to Hong Kong, strengthen the development of asset and wealth management industry and related professional service sectors in Hong Kong, and support the development of the innovation and technology industries.

The New Scheme was launched on 1 March 2024. As of 5 April, Invest Hong Kong (InvestHK) has received over 1 800 enquiries and 53 applications, and approved Net Asset Assessment for 3 applications. This has demonstrated high-net-worth individuals' confidence in the stable business environment in Hong Kong as well as their interest in the diverse investment channels that Hong Kong offers. With resources provided by the Financial Services and the Treasury Bureau, InvestHK has established a dedicated team to process applications under the New Scheme and ensure effective operation. InvestHK will also collaborate with other relevant Government departments to promote the New Scheme to various business associations, international stakeholders and family offices. In addition to

proactive outreaching and enhanced communication with the industry, InvestHK will leverage both traditional and social media to showcase Hong Kong's advantages on all fronts and actively promote the New Scheme on a global scale to provide detailed information on the New Scheme to potential applicants.

We are confident that the New Scheme will be well-received by investors interested in investing and pursuing development in Hong Kong, thereby channelling funds to Hong Kong's capital market and strengthening Hong Kong's status as an international asset and wealth management hub. While not setting a hard performance target for the New Scheme, the Government will suitably evaluate its effectiveness to ensure that the relevant arrangements and measures can attract target asset owners to deploy and manage their wealth, and fully realise the diversified investment opportunities in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)140

(Question Serial No. 2798)

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 provide the numbers of various types of family offices operating in Hong Kong which had already been established or were newly set up in 2022-23 and 2023-24 respectively; the total assets under management (AUM) by all these family offices; the total AUM of the largest single family office and the average AUM of all the family offices?

What are the specific plans of Invest Hong Kong for promoting the development of family offices in Hong Kong in the next three years? Will key performance indicators (KPIs) be set for such plans? If so, what are the specific KPIs? If not, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 11)

Reply:

According to the research findings of the consultant commissioned by Invest Hong Kong and publicised in March 2024, there were around 2 700 single family offices (FOs) operating in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. With funding support of the Financial Services and the Treasury Bureau, the dedicated FamilyOfficeHK team (the dedicated team) of Invest Hong Kong provides one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong, and more than 100 FOs indicated that they were preparing or had decided to set up or expand their business in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team received more than 650 enquiries on setting up FOs in Hong Kong, mainly from the Mainland, ASEAN countries, the Middle East, Europe and the Americas, and assisted 64 FOs to set up or expand their business in Hong Kong. Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong. As individual FOs' assets under management involve commercially sensitive information, it is not appropriate to disclose the details.

The Government has been actively promoting the development of FO business in Hong Kong to help the industry seize new business opportunities. The Government's objective is to facilitate no less than 200 FOs to set up operations or expand their business in Hong Kong by end-2025.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2802)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is proposed in the Budget that stamp duties payable on the transfer of real estate investment trust (REIT) units and the jobbing business of option market-makers will be waived. In this connection, will the Government inform this Committee:

1. given that subsidies, covering 70% of the expenses paid to local professional service providers for the listing of REITs with a cap of \$8 million per REIT, were provided for qualifying REITs authorised by the Securities and Futures Commission and listed in Hong Kong in the past 3 years to encourage the listing of more REITs in Hong Kong, of the results of this initiative, and the number of REITs listed in Hong Kong in each of the past 3 years; and
2. of the estimated number of REITs to be attracted for listing in Hong Kong by the Government's further reduction in the stamp duty for the transfer of REIT units, and the performance indicators for this measure?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 15)

Reply:

The Government has been promoting the development of the real estate investment trust (REIT) market through various measures, including the launch of the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) in 2021 to provide funding support for open-ended fund companies set up or re-domiciled to Hong Kong and REITs listed in Hong Kong. From 2021 to 2023, there was 1 REIT listing in Hong Kong. Since the second half of 2021, listing plans have been impacted and delayed due to the pressure posed to the capital market by the pandemic, interest rate hikes, and economic and geopolitical uncertainties.

The 2024-25 Budget has announced a series of measures, including waiving the stamp duty payable on the transfer of REIT units, and extending the Grant Scheme to 2027 to drive the

development of more REITs in Hong Kong. In addition, we are in discussion with Mainland authorities on the expansion of the mutual-market access regime to cover REITs, so as to bring in more enterprises and capital to the Hong Kong market. It is expected that the above measures will reduce the transaction costs of REITs and enhance the liquidity and attractiveness of the REIT market. We will review the relevant measures from time to time to strengthen market development.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)142****(Question Serial No. 2809)**

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 speech that the business registration fees will increase by \$200 to \$2,200 per annum with effect from 1 April. To relieve the relevant impact, the business registration levy of \$150 payable to the Protection of Wages on Insolvency Fund will be waived for 2 years. In this connection, please inform this Committee of the number of applications by small and medium enterprises (SMEs) for deregistration and bankruptcy petitions filed to the Official Receiver's Office by quarter in the past 2 years.

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 22)

Reply:

The Companies Registry keeps records of company dissolution, but does not possess statistics on the breakdown by size of companies. The table below sets out the quarterly figures of companies dissolved in the past two financial years.

Quarter	Number of companies dissolved			
	De-registration	Striking-off	Liquidation (including compulsory and voluntary winding-up)	Total
April – June 2022	15 942	2 378	236	18 556
July – September 2022	11 166	15 876	273	27 315
October - December 2022	13 347	8 373	295	22 015

Quarter	Number of companies dissolved			
	De-registration	Striking-off	Liquidation (including compulsory and voluntary winding-up)	Total
January – March 2023	12 425	11 826	277	24 528
April – June 2023	14 196	9 001	255	23 452
July – September 2023	14 667	7 244	300	22 211
October - December 2023	19 384	4 184	243	23 811
January – March 2024	21 983	7 344	205	29 532

After presenting a winding-up petition against a limited company with the Court, the petitioner is required by law to serve a copy of the petition to the Official Receiver's Office (ORO). The ORO therefore keeps record of winding-up petitions against limited companies, but does not possess statistics on the breakdown by size of the companies. The table below sets out the quarterly figures of winding-up petitions received by the ORO in the past two financial years.

Quarter	Number of winding-up petitions received
April - June 2022	156
July - September 2022	121
October - December 2022	129
January - March 2023	147
April - June 2023	138
July - September 2023	147
October - December 2023	134
January - March 2024	189

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)143****(Question Serial No. 2810)**

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 137 of the Budget Speech, to drive market development, the Government will extend the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts for 3 years. The grant scheme has been open for application from 10 May 2021. Please advise this Committee on the following:

1. the number of subvented entities and the grant amount each year since the launch of the scheme; and
2. the estimated number of funds to be attracted to Hong Kong after the extension of the scheme, and whether there will be any other specific measures to promote the development of the asset and wealth management sector in the future.

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 23)

Reply:

To further attract the set-up of open-ended fund companies (OFCs) and real estate investment trusts (REITs) in Hong Kong, the Government and the Securities and Futures Commission launched the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) in May 2021 to provide funding support for OFCs set up or re-domiciled to Hong Kong and REITs listed in Hong Kong to pay the eligible expenses charged by Hong Kong-based professional service providers. Details of the funds subsidised under the Grant Scheme are as follows –

	2021-22	2022-23	2023-24
Approved OFC applications (subsidies granted)	29 (\$12.7 million)	67 (\$35.6 million)	115 (\$61.5 million)
Approved REIT applications (subsidies granted)	1 (\$8 million)	-	-

Since the introduction of the Grant Scheme, the number of OFCs registered in Hong Kong has increased substantially from 14 in May 2021 to 302 in March 2024. The Grant Scheme has effectively promoted the fund industry's development and has been generally well-received by the industry. In this connection, the 2024-25 Budget has announced the extension of the Grant Scheme for three years to 2027 to strengthen the development of OFCs and REITs in Hong Kong.

The Government will continue to strengthen Hong Kong's competitive edge as an international asset and wealth management centre through a multi-pronged approach. Measures include attracting global family offices and asset owners to Hong Kong; enhancing the preferential tax regimes; expanding the fund distribution network; waiving the stamp duty payable on the transfer of REIT units; and expanding the mutual-market access regime, etc. We will keep the measures under constant review to maintain their effectiveness.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3207)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in the matters requiring special attention in 2024-25, Invest Hong Kong (InvestHK) will, in collaboration with the Bureau, continue to promote Hong Kong as a leading international financial centre, Fintech hub and a family office hub, including stepping up the offering of one-stop services to family offices interested in establishing presence in Hong Kong. In this connection, would the Government inform this Committee of:

1. the specific promotional work and the estimated expenditure; and
2. the number of family offices which have used InvestHK's one-stop service over the past 2 years, and the relevant expenditure?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 26)

Reply:

The Government has been actively promoting the development of family office (FOs) business in Hong Kong to help the industry seize new business opportunities. With funding support of the Financial Services and the Treasury Bureau (FSTB), Invest Hong Kong (InvestHK) set up a dedicated FamilyOfficeHK team (the dedicated team) in 2021 to provide one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team received more than 650 enquiries on setting up FOs in Hong Kong, mainly from the Mainland, ASEAN countries, the Middle East, Europe and the Americas, and assisted 64 FOs to set up or expand their business in Hong Kong. Separately, more than 130 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong.

To facilitate the set-up and expansion of FOs, 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. It will roll out diversified and face-to-face interactive events (e.g. seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including South East Asia and the Middle East) in 2024 to promote to target clients Hong Kong's competitiveness as a FO hub. It has established offices in Beijing, Brussels, Dubai and Singapore, and plans to deploy manpower in the Mainland (e.g. Shanghai) to tell the good story of Hong Kong and showcase Hong Kong's strengths as a FO hub. In collaboration with the Economic and Trade Offices around the world, the dedicated team will also conduct roundtable forums under the theme of FOs in major cities.

Following the success last year, FSTB and InvestHK organised the second Wealth for Good in Hong Kong Summit on 27 March 2024, an exclusive event for global FOs. Themed "Growing with Certainty Amid Growing Uncertainty", the Summit brought together influential FOs from around the world to engage with the industry, asset owners and wealth successors to explore investment opportunities and effective wealth management amid the volatile global economic climate, as well as showcased Hong Kong's long-standing vision as a leading hub for FOs and international asset and wealth management.

InvestHK's overall estimated expenditure for promoting the development of FO business in 2023-24 and 2024-25 is about \$51.2 million and \$49.8 million respectively.

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

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3209)

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 in 2024-25, the Government will issue \$120 billion worth of bond, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond, and \$20 billion worth of green bonds and infrastructure bonds to achieve financial inclusiveness and enhance a “sense of participation” in infrastructure and sustainable development among the public. In this connection, please inform this Committee of the following:

1. In view of the enthusiastic response to the previous rounds of Silver Bond issuance, will the Government offer more flexibility in regards to the borrowing ceiling and make appropriate adjustments according to the number of subscriptions, so as to meet the market demand? If so, what are the details?
2. Given that infrastructure projects involve a longer investment horizon, how will the maturity of infrastructure bonds be determined? Will the Government issue bonds for a single infrastructure project? If not, how to enhance the “sense of participation” in infrastructure and sustainable development among the public?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 28)

Reply:

The Government announced in the 2024-25 Budget the plan to issue \$120 billion worth of bond under the Infrastructure Bond Programme (IBP) and the Government Green Bond Programme (to be renamed as the Government Sustainable Bond Programme, (GSBP)) in 2024-25, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond and \$20 billion worth of non-silver retail bond. The retail tranche will be issued for public subscription to enhance a “sense of participation” in infrastructure and sustainable development among the public. The remaining \$50 billion will be institutional tranche, with a certain portion to be earmarked for priority investment by Mandatory Provident Fund

Schemes. All bond proceeds will be credited to the Capital Works Reserve Fund (CWRP) for funding eligible projects supported by the CWRP.

The IBP and the GSBP will cover eligible projects under the capital works programme of the CWRP. Making reference to the arrangement under the Government Green Bond Programme and to allow flexibility for the programme, we currently have no plans to issue bonds dedicated to a single infrastructure project. The actual issuance amount of retail bonds and tenor of the bonds issued under the two programmes will be determined taking account of the actual market conditions (including expected response) at the time of arranging the bond issuance, and will be submitted for approval by the Steering Committee chaired by the Financial Secretary overseeing the programmes.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)146****(Question Serial No.3856)**

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget Speech that the Government plans to issue bonds of about \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. Besides, the Government will continue to adhere strictly to fiscal discipline and keep the government debt at a prudent level. It is expected that the ratio of Government debt to GDP will be in the range of about 9% to 13% from 2024-25 to 2028-29, which is much lower than that of most other advanced economies. In this connection, please inform this Committee of:

1. the total amount of government bonds issued and interest expenses incurred in the past 3 years; and
2. the estimated interest expenses of bonds issued in each of the next 5 years, taking into account the bonds of about \$95 billion to \$135 billion the Government plans to issue in the next 5 years.

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 21)

Reply:

The Government issued bonds under the Government Bond Programme (GBP) and the Government Green Bond Programme (GGBP, to be renamed as the Government Sustainable Bond Programme (GSBP)) over the past 3 years (2021-22 to 2023-24), with the issuance sizes and interest expenses as follows –

Financial Year	GBP		GGBP	
	Issuance Size (HK\$ million)	Interest expense (HK\$ million)	Issuance Size (HK\$ million)	Interest expense (HK\$ million)
2021-22	70,000	3,023	29,255	442
2022-23	70,500	4,536	66,131	1,041
2023-24	82,000	6,977	72,609	3,767

Bond issuance expenses (including interest) under the GBP are paid from the Bond Fund, while that under GSBP and the Infrastructure Bond Programme will be paid from the Capital Works Reserve Fund (CWRP). For 2024-25, the estimates are \$7.573 billion and \$9.017 billion under Bond Fund and CWRP respectively. For Government bond issuances beyond 2024-25, since the detailed issuance arrangements (e.g. actual 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.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)147

(Question Serial No. 1524)

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

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

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 143 of the 2024-25 Budget Speech that the Government will issue \$120 billion worth of bond, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond and \$20 billion worth of green bonds and infrastructure bonds. As mentioned in the 2023-2024 Budget Speech, society at large has clear aspirations for Mandatory Provident Fund (MPF) funds that offer stable returns at low fees, and the Government plans to earmark a certain proportion of issuances of Government green bonds and infrastructure bonds for priority investment by MPF funds. Please inform this Committee of the following:

1. Of the \$20 billion worth of green bonds and infrastructure bonds to be issued by the Government in 2024-25, has a certain proportion been earmarked for priority investment by MPF funds so as to promote the provision of MPF products that offer stable returns at low fees? If so, when are such products expected to be officially launched in the market? If not, what are the reasons?
2. It is stated in paragraph 241 of the Budget Speech that the Government plans to issue bonds of about \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. What is the proportion of issuances that the Government plans to set aside for priority investment by MPF funds so as to promote the provision of MPF products that offer stable returns at low fees?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 16)

Reply:

In consultation with the Hong Kong Monetary Authority (HKMA) and the Mandatory Provident Fund Schemes Authority (MPFA), our consolidated reply is as follows.

The Government plans to issue \$120 billion worth of bond under the Infrastructure Bond Programme (IBP) and the Government Sustainable Bond Programme (GSBP) in 2024-25, of which \$70 billion will be retail tranche for public subscription (including \$50 billion worth of Silver Bond and \$20 billion worth of non-silver retail bond) to enhance the “sense of participation” in infrastructure and sustainable development among the public. The remaining \$50 billion will be institutional tranche, with a certain proportion to be earmarked for priority investment by Mandatory Provident Fund (MPF) schemes. Details of the abovementioned issuances will be announced in due course.

As for investment by MPF schemes, the HKMA and the MPFA have already put in place a mechanism to earmark a certain proportion of Government green bonds for priority investment by MPF schemes. A similar mechanism will be applied to future issuance of Government infrastructure bonds.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2825)

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 Hong Kong Investment Corporation Limited (HKIC) will implement the first batch of direct investment and co-investment projects in the first half of this year.

1. As the investment projects cover different areas, please list out the investment details and amounts of each of these projects;
2. The HKIC will also host a Roundtable for International Sovereign Wealth Funds and organise a Summit on Start-up Investment and Development in Hong Kong. What are the implementation timetables, the scopes of work and expenditures involved as well as the expected outcomes of these events?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 1)

Reply:

The Hong Kong Investment Corporation Limited (HKIC) regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official background from the business, finance and academic sectors. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC, which will make announcement at the appropriate time.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channeling capital and leveraging market resources, as well as to attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The HKIC will implement the first batch of direct investment and co-investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential

projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage.

The HKIC is also moving full steam ahead on the preparatory work for Roundtable for International Sovereign Wealth Funds, and Summit on Start-up Investment and Development, including liaising closely with the HKSAR Government and the relevant institutions on the appropriate arrangements. More details will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)149

(Question Serial No. 2826)

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 Hong Kong Monetary Authority (HKMA) is working with a number of financial institutions on the listing of an ETF in the Middle East that tracks Hong Kong stock indices.

1. What is the current progress of the related work and the feedback from various financial institutions?
2. The Government said that it will open up new capital sources. Are there any plans to carry out the relevant work? If yes, what are the details including the expenditure involved? If no, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 2)

Reply:

- (1) The Hong Kong Monetary Authority (HKMA) is discussing with industry participants the detailed arrangements for structuring and launching the Exchange Traded Fund (ETF) in the Middle East tracking Hong Kong stock indices, and a few asset management companies have expressed an interest to launch such an ETF. The HKMA has already started conducting a request for proposal exercise to select one or more asset management firms to manage the ETF. The selected asset management firm(s) will need to obtain regulatory approvals and set up the infrastructure in preparation for the launch of the ETF. The exact timing will depend on the design of the ETF and the progress of regulatory application.
- (2) The Government has been proactively attracting overseas capital through a variety of channels, including reinforcing Hong Kong's appeal to traditional origins of capital and striving to open up new capital sources. In particular, the New Capital Investment Entrant Scheme (the New Scheme) was launched on 1 March 2024 to further enrich the talent pool and attract new capital to Hong Kong, strengthen the development of asset and wealth management industry and related professional service sectors in Hong Kong,

and support the development of the innovation and technology industries. The New Scheme is implemented by the New Capital Investment Entrant Scheme Office (NCIESO) of Invest Hong Kong as well as the Immigration Department. In 2024-25, the estimated expenditure of NCIESO and the Immigration Department for implementing the New Scheme is \$22.997 million and \$4.429 million respectively.

In addition, the 2024-25 Budget has announced that the Government will further enhance the preferential tax regimes for funds, single family offices and carried interest, including reviewing the scope of the tax concession regimes, increasing the types of qualifying transactions and enhancing flexibility in handling incidental transactions, to attract more funds and family offices with potential to establish a presence in Hong Kong. To further develop the real estate investment trusts (REIT) market, the Government also plans to waive the stamp duty payable on the transfer of REIT units. The work involved will be absorbed by existing resources and manpower of Financial Services and the Treasury Bureau (Financial Services Branch), and there is no itemised breakdown of the expenditures.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)150****(Question Serial No. 2834)**

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:

There will be a decrease of 3 posts for 2024.

1. What is the reason for the decrease of 1 directorate post? What is the post as well as the job nature concerned?
2. What were the payroll costs originally involved for these 3 posts?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 10)

Reply:

- (1) The Financial Services Branch (FSB) will decrease 1 directorate post of the Administrative Officer Grade, 1 post of the Personal Secretary Grade and 1 post of the Workman II Grade in 2024-25. The directorate post concerned is a time-limited post, which provides support on matters of the Mandatory Provident Fund System reform measures, to be expire in 2024-25. Since the reform is still in progress, FSB will conduct necessary manpower redeployment in accordance with work priorities and utilize the resources effectively, with a view to meeting the continued service needs.
- (2) The notional annual salary cost at mid-point of the 3 posts is set out as follows –

Grade of the post concerned	Notional annual salary cost at mid-point
Administrative Officer (Directorate)	\$2,407,800
Personal Secretary	\$496,800
Workman II	\$192,420

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)151****(Question Serial No. 2835)**

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 original estimate for last year was lower due to a change in the funding requirement of various funding schemes/initiatives under the “Funding for promoting and facilitating the development of the financial services sector” in view of the less-than-expected demand.

1. What items are included in these funding schemes/initiatives?
2. What are the reasons for the less-than-expected demand then and the increase in the relevant expenditure for this year?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 11)

Reply:

The “funding for promoting and facilitating the development of the financial services sector” is a general non-recurrent item which, through launching financial support schemes, organising promotion events and forums, supporting talent training etc., provides support to further promote and facilitate the development of the financial services sector on various fronts.

The main reasons for the 2023-24 revised estimates for the item being lower than the original estimates are tabulated below –

Projects under the Item	Reason
Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts	The Government provides funding by batches to the Securities and Futures Commission (SFC) since 2021-22 for implementing the Grant Scheme. Since it takes time for the sector to familiarise themselves with the Grant Scheme, the number of applications for 2021-22 and 2022-23 were lower than originally estimated, and the SFC was able to deploy surplus funding for implementing the Grant Scheme in 2023-

Projects under the Item	Reason
	24. As at March 2024, a funding of \$117.8 million has been approved under the Grant Scheme.
Pilot Green and Sustainable Finance Capacity Building Support Scheme	The Scheme was launched in December 2022. As it was still at an early implementation stage in 2023-24, the actual number of applications and subsidy amount approved were lower than originally estimated. As at March 2024, a funding of about \$12 million has been approved under the Scheme.
Green and Sustainable Finance Grant Scheme	The Grant Scheme was launched in May 2021. In 2023-24 (as of early March 2024), subsidy totalling about \$56 million has been disbursed, slightly lower than originally estimated. As at March 2024, a funding of about \$220 million has been approved under the Grant Scheme.

The increase in the 2024-25 estimates as compared to 2023-24 is attributable to the main reasons tabulated below –

Project under the Item	Reason
Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts	The 2024-25 Budget has announced the extension of the Grant Scheme for three years to 2027. The estimated expenditure for 2024-25 has increased accordingly.
Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme	The Government will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme in the first half of 2024 with a total provision of \$10 million. It will provide early-stage funding support for green Fintech, facilitating commercialisation and fostering the development of new green financial technology initiatives.
Pilot Green and Sustainable Finance Capacity Building Support Scheme	With the increasing number of eligible programmes and qualifications covered in the Scheme (which has increased from 19 at launch to 63 as of early March 2024), coupled with the rising demand for green finance-related skills, it is anticipated that the relevant expenditure will increase gradually in the coming financial years.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)152

(Question Serial No. 2836)

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 that the authorities will strengthen regulation of licensed money lenders and conduct public education to raise awareness on prudent borrowing.

1. How will the relevant work be implemented? In particular, what specific work or additional manpower will be arranged to strengthen regulation of licensed money lenders, and what is the expenditure involved?
2. What activities will be organised to enhance public education, and what are the specific details and their respective expenditures? Will technologies be used more widely in publicity? If so, what are the details?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 12)

Reply:

- (1) The money lending business is regulated by the Money Lenders Ordinance (Cap. 163) and the licensing conditions of money lenders licence. The scope of regulation covers requirements for money lenders licence application and renewal, interest rate cap, restrictions on fees and charges, privacy protection, information disclosure, advertisement contents, etc. The Financial Services and the Treasury Bureau (FSTB) and the Companies Registry (CR) have been closely monitoring the market situation in the money lending sector to continuously review and enhance the prevailing regulatory measures, with a view to inducing more responsible lending behaviour among money lenders and better protecting public interest. The CR has been monitoring the licensed money lenders' compliance with the licensing conditions through conducting site inspections and reviewing money lending advertisements; and the Police will continue to step up its efforts in combating the relevant crimes, such as carrying on business as money lender without a licence, lending money at an interest rate exceeding the statutory limit, etc. The regulatory work of licensed money lenders is a regular duty of the

FSTB, the CR and the Police, which is handled by the relevant bureau and departments under existing resources and manpower.

- (2) The FSTB has been conducting public education activities to promote the importance of prudent borrowing. In 2024-25, we have earmarked \$0.9 million for conducting the relevant publicity activities, and plan to raise public awareness and alertness on the malpractices of money lending through various channels including public transportation, the Internet and promotional pamphlets. We will focus on promoting the message of prudent borrowing to specific groups vulnerable to overborrowing, including youngsters and foreign domestic helpers. In addition, we will make use of the information technology to promote the messages on different social media platforms, and strengthen cooperation with the Investor and Financial Education Council and non-governmental organisations to achieve a wider publicity effect.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2837)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Matters Requiring Attention include promoting Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaigns.

1. What do the marketing campaigns to be organised and participated locally, in the Mainland and overseas include respectively? What are the details? What are the anticipated types and numbers of participants?
2. Given the 49.8% year-on-year increase in the estimate, will the campaigns to be organised differ from those in the past? What are the specific arrangements concerned and the expenditure involved? Will the efficiency of the campaigns be reviewed?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 13)

Reply:

The Financial Services Development Council (FSDC) is committed to promoting Hong Kong as a premier international financial centre. The FSDC will continue its efforts to showcase the opportunities and strengths of Hong Kong to the world through active participation in local and international large-scale flagship events, conducting meetings for industry exchange, and strengthening collaborations with the Mainland and overseas financial markets.

In 2024-25, the FSDC will organise international events in coordination with strategic partners, industry associations and government bodies to promote the key development areas of the financial services industry, covering green and sustainable finance, FinTech, impact investing, digital assets RMB internationalisation, etc. These events include -

- (i) Asian Financial Forum (AFF): FSDC will co-sponsor and host a key panel discussion with a relevant financial institution to promote the development of Hong Kong's financial services industry. The estimated expenditure is about \$500,000;

- (ii) Hong Kong FinTech Week: The FSDC will sponsor a panel discussion session and invite representatives from FinTech companies to explore and share experiences in FinTech issues. The estimated expenditure is about \$170,000;
- (iii) The Belt and Road Summit: The FSDC will sponsor a panel discussion session for senior government officials and business leaders from countries and regions along and beyond the Belt and Road (B&R) to explore the business opportunities availed by the B&R. The estimated expenditure is about \$310,000;
- (iv) Earth Forum 2024: The FSDC will co-organise a forum on “Transition Finance Towards a Net Zero Economy” with the Friends of the Earth (HK) and the China Sustainable Investment Forum. This forum will invite participation from the Government and regulatory bodies, as well as financial services entities in Hong Kong, the Mainland and overseas, with the aim of fostering the development of sustainable finance in Hong Kong. The estimated expenditure is about \$20,000; and
- (v) The 29th Conference of the Parties of the United Nations Framework Convention on Climate Change (COP29): The FSDC plans to co-organise a side event with the Friends of the Earth (HK) to promote Hong Kong as a leading centre of green and sustainable finance. The related expenses are included in the \$1.5 million estimated expenditure for market promotion as mentioned below.

The FSDC will continue to organise meetings for industry exchange, with participation by local, Mainland and overseas industry leaders, practitioners in the financial services industry, and academics. The total estimated expenditure for these activities is about \$1 million.

On market promotion, the FSDC will increase the number of external visits in 2024-25 to reinforce confidence in Hong Kong. Planned visits will cover the Middle East, ASEAN and the EU. The purpose is to establish relationships with relevant organisations and better understand industry views for proposing relevant market facilitation measures to the Government. In addition, the FSDC will establish advisory groups to provide practical suggestions on enhancing the connectivity with the Middle East and ASEAN regions, and fostering stronger relationships. The estimated expenditure is about \$1.5 million.

Separately, upon its establishment by the FSDC last year, the Hong Kong Academy for Wealth Legacy (HKAWL) co-organised a family office symposium with the Private Wealth Management Association and the Hong Kong Trade Development Council on 25 January 2024 to discuss topics relating to family wealth, family enterprises, etc. On 4 March 2024, the Executive Director of the HKAWL participated in the first Asia-Pacific Family Office Development Forum as a guest speaker to share the latest developments in promoting family offices in Hong Kong. The HKAWL will collaborate with the Hong Kong Council of Social Service to co-host a policy dialogue session titled “Emerging Trends of Philanthropy and Impact Investment in Asia: Opportunities and Challenges” at the annual “S+ Summit cum Expo” in May 2024. The HKAWL will continue to organise and participate in different industry exchange activities to promote Hong Kong as a leading global family office hub.

The FSDC will continuously evaluate the effectiveness of different promotional activities and make timely adjustments to the content and arrangements concerned as needed.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)154

(Question Serial No. 2838)

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

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

Programme: (2) Subvention: Financial Services Development Council

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Hong Kong Academy for Wealth Legacy offers ongoing training, knowledge exchange and networking opportunities for family office practitioners and next-generation asset owners.

1. How many training and related activities will the Academy organise? What is the anticipated attendance?
2. What are the expenditures and the specific allocation by item of the related activities? Will the Government set key performance indicators or review their efficiency? If yes, what are the details, and if no, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 14)

Reply:

The Financial Services Development Council has established the Hong Kong Academy for Wealth Legacy (HKAWL) in November 2023 to provide a platform for collaboration, networking, knowledge sharing, and to provide relevant training for the family office sector, asset owners and wealth inheritors, thereby promoting positive financial management values and strengthening the talent pool for family offices.

The HKAWL plans to organise no less than 7 continuous training, knowledge sharing and networking activities for asset owners and family office practitioners in 2024-25, which are expected to be attended by around 400 participants and involve an estimated expenditure of about \$700,000.

The HKAWL will continue to evaluate the effectiveness of different activities and make timely adjustments to the content and arrangements concerned as needed.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2839)

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:

Phase 1 of Project mBridge is expected to be launched this year, with participation of 4 central banking institutions and nearly 20 commercial banks. Will the Government inform this Committee of the following:

1. When and under what circumstances will the Government launch Phase 2? How will the Government attract more central banking institutions and commercial banks to join Project mBridge? Will more resources be allocated to promote co-operation with more central banking institutions and commercial banks? If yes, what are the details? If not, what are the reasons?
2. What has been the response to the service which enables the use of Hong Kong's FPS and Thailand's PromptPay by visitors from the two places for local payment? Has the Government looked into the utilisation of this service?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 15)

Reply:

- (1) The Hong Kong Monetary Authority (HKMA), together with 3 central banks, namely the Digital Currency Institute of the People's Bank of China, 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 Multiple Central Bank Digital Currency Bridge (mBridge). The mBridge project seeks to analyse the functions of the distributed ledger technology in facilitating conduct of real-time cross-border foreign exchange transactions in a multi-jurisdictional context and on a round-the-clock basis, as well as to explore the business use cases.

At present, the mBridge project has entered the Minimum Viable Product (MVP) development phase. The first phase of service (i.e. the MVP) is expected to be launched this year to pave the way for a production-ready system.

The HKMA welcomes more central banks and commercial banks to join the mBridge project. Depending on the effectiveness of the project, the HKMA will discuss with other members of the project at an appropriate juncture regarding central banks, banks and companies to be introduced in the next phase.

- (2) On 4 December 2023, the HKMA and the Bank of Thailand launched the Faster Payment System (FPS) x PromptPay Link for cross-border QR payment between Hong Kong and Thailand. Through this linkage, visitors from Thailand and Hong Kong will be able to make retail payments by using their mobile payment applications to scan the Hong Kong FPS QR code and Thai PromptPay QR code displayed by merchants respectively, providing visitors with another safe, efficient and cost-effective retail payment means.

Since its launch, the FPS x PromptPay Link has been well received by the market and is mainly used for small-value retail payments. This cooperation has laid a good foundation for further expanding the cross-border payment services in the future. The HKMA will consolidate experience and continue to explore the feasibility of developing cross-border payment services with other regions.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0246)

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 local stock market consolidated through most of 2023, and trading activities shrank. The Hang Seng Index dropped by 13.8% in the year. As mentioned in the Budget Speech, the Hong Kong Exchanges and Clearing Limited (HKEX) has consulted the market on introducing a treasury share buy-back regime, which is one of the measures proposed by the Task Force on Enhancing Stock Market Liquidity last October. The regime is targeted for implementation in the middle of this year.

In this connection, will the Government inform this Committee whether it will expedite the implementation of the treasury share buy-back regime, and whether it will explore the feasibility of establishing a stock market stabilisation fund in Hong Kong and further reduce the rate of stamp duty on stock transfers for, for example, high frequency and block trading, so as to boost the liquidity of the stock market? Also, will the Government negotiate with Mainland regulators to lower the threshold of investment in Hong Kong stocks for Mainland investors?

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

Reply:

Facing the challenges from the external environment to the stock market, the Government established the Task Force on Enhancing Stock Market Liquidity (Task Force) in August 2023 to comprehensively review the factors affecting market liquidity and propose concrete recommendations to strengthen the competitiveness and sustainable development of the stock market. The Government, together with the Securities and Futures Commission (SFC) and Hong Kong Exchanges and Clearing Limited (HKEX), is following up the recommendations made by the Task Force at full speed.

On implementing the treasury shares regime, HKEX launched a market consultation in October 2023 on the introduction of a treasury share regime permitting listed issuers to hold

and re-sell treasury shares under appropriate safeguards with a view to providing greater flexibility for listed issuers to manage their capital and cash flow. The consultation ended in December 2023. HKEX expects to publish the consultation conclusions in the first half of this year with a view to finalising the way forward.

On reducing the stamp duty on stock transfers, since the stamp duty is one of the important sources of public revenue, the Government needs to strike a balance between protecting government revenue and promoting market development. The Government has reduced the rate of stamp duty to 0.1% in November 2023 to reduce investors' costs. The 2024-25 Budget has also announced the proposal that stamp duties payable on the transfer of real estate investment trust (REIT) units and the jobbing business of option market-makers will be waived. Our plan is to submit the relevant amendment bill to the Legislative Council within this year.

On lowering the investment threshold for Mainland investors of Hong Kong stocks, mutual market access between the financial markets in the Mainland and Hong Kong has been expanding in scope and capacity. The Bond Connect, Cross-boundary Wealth Management Connect, inclusion of Exchange-traded Funds (ETFs) in Stock Connect, and Swap Connect have been successively implemented in recent years. These initiatives further enrich the asset allocation and risk-management options for Mainland and international investors. We are working with the Mainland institutions to prepare for the launch of Mainland government bond futures, introduce block trading under Stock Connect, and include Renminbi trading counters into the Southbound trading of Stock Connect. We will continue to discuss with the Mainland various expansion and enhancement arrangements. Individual enhancement measures will be announced as appropriate once they are ready for implementation.

A stabilization fund generally refers to one established by the Government to conduct reverse market operations in the stock market with the aim of stabilising the stock market. Although Hong Kong's stock market has been under pressure over the past year given the high interest rate environment and external uncertainties, with a robust and mature regulatory system and rigorous systematic risk monitoring mechanism in place, the operations of the local financial market has remained stable. Transactions have been conducted in an orderly manner. There is no intention to establish a stabilisation fund. The Government and financial regulators will continue to be vigilant and work closely to maintain financial stability in concerted efforts.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)157

(Question Serial No. 0248)

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 market widely believes that the US Federal Reserve will start cutting rates this year. The pace of the Federal Reserve's interest rate cut will affect Hong Kong in many aspects, but Hong Kong's Base Rate is passively determined according to the established mechanism. In this connection, will the Government take into account comprehensively the external environment, the development needs of Hong Kong and the stabilising factors for our banking system to explore ways to improve the determination of the Base Rate?

Asked by: Hon YIM Kong (LegCo internal reference no.: 3)

Reply:

Hong Kong is an international financial and trade centre with free flow of capital into and out of the city. With the Linked Exchange Rate System (LERS) operating effectively for years, the market has developed sufficient understanding and experience of the system which has helped establish the monetary stability in Hong Kong.

Under the LERS, the Base Rate is set by the Hong Kong Monetary Authority according to a pre-set formula and forms the foundation upon which the Discount Rates for repurchase transactions through the Discount Window are computed. Since banks generally handle their funding needs through other channels (including interbank lending) instead of the Discount Window based on the Base Rate, the interest rates of the Hong Kong dollar market are impacted by their US dollar counterparts and by the supply and demand of Hong Kong dollar funding in the local market instead of the Base Rate. We have no intention to change the related Base Rate arrangement.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)158

(Question Serial No. 0249)

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 paragraph on “Deepen Financial Co-operation in the GBA” in the Budget Speech that the Cross-boundary Wealth Management Connect (WMC) Scheme in the GBA has seen continuous and steady development. With the launch of the “WMC 2.0”, enhancement measures such as increasing the individual investor quota to RMB 3 million and lowering the threshold for participating in the Southbound Scheme have been introduced. It is learnt that currently there are a total of 23 Hong Kong banks which can launch Southbound Scheme services and 22 Hong Kong banks which can launch Northbound Scheme services. There are more than 160 licensed banks in Hong Kong, but quite a number of them have yet to participate in the WMC Scheme.

In this connection, please inform this Committee of the number of Hong Kong banks with intention to launch the relevant services but yet to participate in the WMC Scheme, the reasons why quite a number of local banks have yet to participate in the WMC Scheme, and whether the Government will review timely the implementation arrangements for the WMC Scheme when it matures, so as to encourage more Hong Kong banks to participate in the WMC Scheme.

Asked by: Hon YIM Kong (LegCo internal reference no.: 4)

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.

WMC has seen continuous and steady development since its launch in September 2021. According to the statistics published by the People's Bank of China, up to end-February 2024, over 73 000 individual investors in the GBA (including Guangdong, Hong Kong and Macao)

participated in WMC and around 49 200 cross-boundary fund remittances amounting to around RMB 15.283 billion (including Guangdong, Hong Kong and Macao) had been recorded.

“WMC 2.0” commenced on 26 February 2024. Enhancement measures include increasing the individual investor quota from RMB 1 million to RMB 3 million, lowering the threshold for participating in the Southbound Scheme to support more GBA residents to participate in the scheme, expanding the scope of participating institutions to include eligible securities firms, expanding the scope of eligible investment products, and further enhancing the promotion and sales arrangements, which are positive responses to the aspirations and suggestions of the industry in Hong Kong.

At the present stage, given that WMC involves financial institutions providing investment services, eligible Hong Kong banks under WMC include registered institutions under the Securities and Futures Ordinance (SFO) for carrying on Type 1 regulated activity (dealing in securities), and engaging in retail banking or private banking business. Currently, 24 eligible Hong Kong banks have commenced WMC services with their Mainland partner banks, of which 21 banks offer both Southbound and Northbound Scheme services, 1 bank offers Northbound service only, and 2 banks offer Southbound service only. These 24 banks cover around 80% of the retail banks and some private banks in Hong Kong. Banks have different business models, development plans and strategies. Individual banks may participate in WMC based on their own business circumstances. We will continue to encourage more Hong Kong banks to participate in WMC. We will also maintain close communication with the industry and relevant Mainland financial regulators, and explore further enhancements to WMC as appropriate.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)159

(Question Serial No. 0665)

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 Hong Kong Investment Corporation Limited (HKIC) will also encourage enterprises in its investment portfolio to engage more actively in local, Mainland and overseas innovation and technology (I&T) networks, where they can explore more application and development opportunities, while identifying potential investors and their target clientele.

In this connection, please inform this Committee of: whether the Government has set targets in respect of the investment portfolio managed by the HKIC for I&T investment in areas such as chips. In the light of further development in the planning and construction of the Northern Metropolis, what requirements does the Government have on the relevant investment shares of the HKIC?

Asked by: Hon YIM Kong (LegCo internal reference no.: 19)

Reply:

The Hong Kong Investment Corporation Limited (HKIC) regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official background from the business, finance and academic sectors. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channelling capital and leveraging market resources, as well as to attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The HKIC will attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The first batch of direct investment and co-investment projects will be implemented in the first half of this year, covering areas such as life technology, green technology and finance, semi-conductors and chips, as well as the

upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosures will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity age.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0666)

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 will earmark \$100 million to promote the sustainable development of financial services. This includes green and sustainable finance, fintech, asset and wealth management, headquarters business, and risk management etc. In this connection, please inform this Committee of whether the Government has any plan to allocate an appropriate portion of the above \$100 million to facilitate Hong Kong's acquisition of the London Metal Exchange delivery location and delivery warehouse qualification this year? For instance, allocating a special fund to promote the construction of a delivery warehouse for the industry.

Asked by: Hon YIM Kong (LegCo internal reference no.: 20)

Reply:

The 2024-25 Budget has announced that the Government will earmark \$100 million to promote the sustainable development of financial services, including green and sustainable finance, fintech, asset and wealth management, headquarters business, and risk management, etc.

The London Metal Exchange is a subsidiary of Hong Kong Exchanges and Clearing Limited's overseas business operations. The Government has not been involved in its operations. We stand ready to liaise with the industry with regard to their interest in developing related approved warehouses to support relevant trading and settlement.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0667)

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, measures to boost investor services, i.e. exploring refining real-time, market-data services to provide investors with targeted services at a reasonable price, are being considered. In this connection, please inform this Committee whether the Government has considered allocating appropriate funding for supporting the provision of capital market information of a higher quality for market participants, in order to further invigorate the market and encourage injection of idle money into the capital market.

Asked by: Hon YIM Kong (LegCo internal reference no.: 21)

Reply:

Providing investors with comprehensive market data is conducive to enhancing market transparency and facilitating their investment and trading decisions, thereby having a positive impact on market vitality and liquidity. To this end, Hong Kong Exchanges and Clearing Limited (HKEX) launched a pilot programme in December 2023 to enhance its market data services, including offering an enterprise data package with a fixed monthly fee and lowering the fee for mobile market data service. The aim of the programme is to provide market participants with greater flexibility in selecting a pricing option for market data service that better aligns with their business needs, while also supporting retail investors in accessing market data more easily.

To further enhance investor service in order to promote trading, the Securities and Futures Commission (SFC) and HKEX are exploring to further enhance real-time market data service. Since professional and retail investors have different needs for market information, the SFC and HKEX will examine how to better define professional and non-professional data users and make an appropriate differentiation in respect of data provision, so as to provide different market participants (such as retail investors, professional investors, research institutions, etc.) with targeted services at a reasonable price to facilitate their participation in market trading and research. The review of market data service involves amendments to the scope and fees

of HKEX's relevant service packages. The work concerned will be taken forward by HKEX in consultation with the SFC, and will not require additional funding from the Government.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0673)

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 accurate information is essential to the promotion of sustainable financing and it is also the priority of international organisations and government agencies in the next few years. In this connection, please inform this Committee whether the Government intends to actively promote co-operation between major cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) to establish a shared financial data and information platform so as to accelerate the integrated development of the GBA.

Asked by: Hon YIM Kong (LegCo internal reference no.: 28)

Reply:

One of the basic principles for the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is to foster the convenient flow and optimal distribution of various factors (including information) within the GBA. The Government and financial regulators have been fostering the flow of financial data within the GBA based on actual needs with proper risks control and in compliance with laws and regulations. Specific measures include -

- (1) Cross-boundary credit referencing data: The People's Bank of China (PBOC) and the Hong Kong Monetary Authority (HKMA) announced on 24 January 2024 a series of measures to deepen the financial co-operation between the Mainland and Hong Kong, including promoting the collaboration on cross-boundary credit referencing (CBCR) to facilitate enterprises' cross-boundary financing activities. The PBOC and the HKMA have subsequently signed a Memorandum of Understanding on CBCR pilots and agreed to first conduct CBCR pilots between Shenzhen and Hong Kong to explore two-way cross-boundary credit data connectivity between the two places, and to establish a foundation for pursuing the further development of cross-boundary credit data connectivity. The CBCR initiative aims to achieve cross-boundary credit data connectivity, such that Hong Kong banks can access the credit data of Mainland customers, and banks in Mainland cities can access the credit data of Hong Kong

customers. With an initial focus on facilitating commercial lending, CBCR can facilitate small and medium-sized enterprises to obtain financing, as well as improve the efficiency and cost-effectiveness of banking services.

- (2) Green and sustainable finance data: The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group), formed by relevant Government Bureaux, financial regulators and the Hong Kong Exchanges and Clearing Limited, provides on its website a Green and Sustainable Finance Data Portal (Portal) which contains various local, Mainland and global data sources to support the financial sector in locating data for climate risk management as well as other analyses and researches related to green and sustainable finance. The website, which is accessible to the public, also consolidates information on sustainability related regulations, news and events, training and internship opportunities. The Steering Group will continue to expand the Portal to incorporate more data from the other places (including the GBA).
- (3) Financial supervision data: The Outline Development Plan for the GBA has stipulated the establishment of a GBA financial supervision, coordination and communication mechanism to enhance financial regulators' cross-boundary cooperation in respect of the supervision monitoring and analysis of capital flows. It also strengthens the mechanism for supervisory cooperation and information exchange relating to anti-money laundering, counter-terrorist financing and anti-tax evasion in Guangdong, Hong Kong and Macao for jointly safeguarding the security of the financial system. Hong Kong has already established a communication mechanism with the Mainland and Macao, with tripartite meetings on anti-money laundering and counter-financing of terrorism (AML/CFT) held from time to time to exchange views on different topics as permitted by the law.

The Government and financial regulators will continue to strengthen the collaboration and communication with other GBA cities to deepen financial co-operation in the GBA in an orderly manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)163

(Question Serial No. 2906)

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 demand for cross-boundary insurance business between Hong Kong and the Mainland has seen continued growth. As proposed in the 2022 Policy Address, to realise mutual access of insurance markets in the Guangdong-Hong Kong-Macao Greater Bay Area, the Government will strive to establish insurance after-sales service centres in places such as Nansha and Qianhai in the near future. Will the Government inform this Committee of the following:

1. Has the Government liaised with the Mainland authorities on the establishment of insurance after-sales service centres in Nansha and Qianhai? What is the current progress? Is there any specific timetable? If no, what are the difficulties?
2. Has the Government currently put in place any other measures to press ahead with enhancing cross-boundary insurance business and achieving mutual market access of the insurance sector? What are the details?

Asked by: Hon ZHANG Xinyu, Gary (LegCo internal reference no.: 31)

Reply:

To promote mutual access of insurance markets in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), the Government, together with the Insurance Authority (IA), has been actively striving for early establishment of 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 including enquiries, claims and policy renewal to GBA residents who are holders of Hong Kong policies.

The IA and relevant Mainland regulators have reached in-principle consensus on the implementation proposal for establishing the service centres, and are deliberating specific details including unified standards and requirements as well as regulatory cooperation.

Meanwhile, the Hong Kong Federation of Insurers has been coordinating preliminary preparation work, such as formulating mode of operation and detailed arrangement in terms of equity shares, so that services may be up and running soon after the implementation proposal is finalised.

Building on the implementation of the service centre initiative and observing the bounds of law, regulatory requirements and manageable risks, we will make reference to relevant experience and explore with Mainland authorities feasible ways of enhancing connectivity between insurance markets in the Mainland and Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)164

(Question Serial No. 3038)

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 2021-22 to 2023-24);
- (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 2021-22 to 2023-24);
- (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 2021-22 to 2023-24); 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 2021-22 to 2023-24).

Asked by: Hon HO Chun-yin, Steven (LegCo internal reference no.: 42)

Reply:

- (a) The value of imports of fresh produce and agricultural and fishery products of the mainland of China (the Mainland) origin in the past 3 calendar years, i.e. 2021, 2022 and 2023, was about \$12.257 billion, \$12.243 billion and \$12.872 billion respectively.
- (b) The value of imports of fresh produce and agricultural and fishery products originated from regions and countries other than the Mainland and Hong Kong in the past 3 calendar years, i.e. 2021, 2022 and 2023, was about \$35.136 billion, \$28.815 billion and \$20.926 billion 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 2022 and 2023.

- (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 and \$1.42 million in 2022 and 2023 respectively. 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 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 -

CONTROLLING OFFICER'S REPLY

FSTB(FS)165

(Question Serial No. 2726)

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:

Regarding companies in Hong Kong with parent companies located outside Hong Kong, please advise the Committee on the following:

1. The number of regional headquarters/regional offices/local offices of companies in Hong Kong with parent companies located outside Hong Kong in each of the past 10 years;
2. The respective numbers of regional headquarters/regional offices/local offices of the Mainland, Japan, the United States of America, Canada, Australia and European countries (including the United Kingdom, Germany, France, Switzerland, Netherlands, Italy and Sweden) in Hong Kong in each of the past 10 years; and
3. The top five lines of business of companies in Hong Kong with parent companies located outside Hong Kong in each of the past 10 years, and their respective percentages in the total number of regional headquarters/regional offices/local offices.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 13)

Reply:

At the request of Invest Hong Kong, the Census and Statistics Department 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 increased from 7 585 in 2014 to 9 040 in 2019, and has remained at the level of around 9 000 since then. The annual figures are set out in Table 1.

- (2) During 2014-2023, the number of regional headquarters/regional offices/local offices with parent companies located in the mainland of China increased significantly from 957 in 2014 to 2 177 in 2023. Over the same period, the number of regional headquarters/regional offices/local offices with parent companies located in Japan, the United States of America, Canada, Australia, the United Kingdom, Germany, France, Switzerland, Netherlands, Italy or Sweden did not change significantly. The annual numbers of the companies concerned are set out in Table 2.
- (3) During 2014-2023, the largest number of regional headquarters/regional offices/local offices were mainly engaged in the import/export trade, wholesale and retail sector in Hong Kong, followed by financing and banking; professional, business and education services; transportation, storage and courier services; and information technology services. The annual percentages of these companies among all regional headquarters/regional offices/local offices in Hong Kong are set out in Table 3.

Table 1: Number of regional headquarters/regional offices/local offices, 2014-2023

Year	Regional headquarters	Regional office	Local office	Total
2014	1 389	2 395	3 801	7 585
2015	1 401	2 397	4 106	7 904
2016	1 379	2 352	4 255	7 986
2017	1 413	2 339	4 473	8 225
2018	1 530	2 425	4 799	8 754
2019	1 541	2 490	5 009	9 040
2020	1 504	2 479	5 042	9 025
2021	1 457	2 483	5 109	9 049
2022	1 411	2 397	5 170	8 978
2023	1 336	2 311	5 392	9 039

Table 2: Number of regional headquarters/regional offices/local offices by selected location of parent company, 2014-2023

Location of parent company	Number of regional headquarters/regional offices/local offices									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
The mainland of China	957	1 091	1 123	1 264	1 591	1 799	1 986	2 080	2 114	2 177
Japan	1 388	1 358	1 376	1 378	1 393	1 413	1 398	1 388	1 388	1 403
United States of America	1 331	1 368	1 353	1 313	1 351	1 344	1 283	1 267	1 258	1 273
United Kingdom	584	631	656	675	712	713	665	667	655	641
Germany	335	340	357	382	396	420	400	418	424	426
France	311	315	334	343	373	371	373	369	365	346
Switzerland	242	252	244	238	235	245	251	263	255	260

Location of parent company	Number of regional headquarters/regional offices/local offices									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Netherlands	187	190	190	178	180	189	181	186	185	187
Italy	152	159	160	160	164	177	171	182	169	166
Australia	173	182	179	174	172	185	164	169	159	160
Canada	97	110	110	106	113	119	112	109	112	112
Sweden	84	92	91	90	95	97	93	88	85	90

Note: More than 1 location of parent companies may be involved, e.g. joint venture.

Table 3: Proportion of regional headquarters/regional offices/local offices by selected major line of business in Hong Kong, 2014-2023

Major line of business in Hong Kong	Proportion among all regional headquarters/regional offices/local offices in Hong Kong (%)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Import/export trade, wholesale and retail	45.6	44.1	44.8	46.3	45.1	46.3	46.7	47.5	46.4	48.5
Financing and banking	17.3	18.2	19.0	19.7	20.6	19.8	19.2	19.1	18.7	18.4
Professional, business and education services	17.8	17.1	16.1	14.6	14.4	15.2	15.4	15.0	14.6	14.4
Transportation, storage and courier services	7.8	8.1	7.7	7.0	6.9	6.8	7.9	7.2	7.3	7.5
Information technology services	3.7	3.9	4.2	4.4	4.6	5.0	5.0	5.0	5.1	5.1

Note: A regional headquarters/regional office/local office may be engaged in more than 1 major line of business.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)166

(Question Serial No. 3780)

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 list the numbers and percentages of domestic households in each district by District Council District and housing type in the past three years (2021-22 to 2023-24).

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 53)

Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, the number of domestic households by District Council district and type of housing, and the percentage share by type of housing in the respective districts from 2021-2023 are shown in **Annex**.

Domestic households⁽¹⁾ by District Council district and type of housing, 2020-2022

		Domestic households ⁽¹⁾							
		No. ('000)				Percentage share in respective district (%)			
Type of housing		Public rental housing	Subsidised home ownership housing ⁽²⁾	Private housing ⁽³⁾	Overall	Public rental housing	Subsidised home ownership housing ⁽²⁾	Private housing ⁽³⁾	Overall
Year	District Council district (DCD)								
2021	Central and Western	2.7	-	85.0	87.7	3.1	-	96.9	100.0
	Wan Chai	2.1	-	61.1	63.2	3.3	-	96.7	100.0
	Eastern	38.0	28.5	121.9	188.4	20.2	15.1	64.7	100.0
	Southern	26.2	15.6	44.5	86.2	30.4	18.0	51.6	100.0
	Yau Tsim Mong	3.8	4.2	115.7	123.6	3.0	3.4	93.6	100.0
	Sham Shui Po	63.1	12.7	88.9	164.7	38.3	7.7	54.0	100.0
	Kowloon City	34.4	4.0	108.2	146.5	23.5	2.7	73.8	100.0
	Wong Tai Sin	74.3	46.2	26.7	147.2	50.5	31.4	18.1	100.0
	Kwun Tong	147.8	34.5	65.1	247.4	59.7	13.9	26.3	100.0
	Kwai Tsing	104.1	27.4	45.2	176.6	58.9	15.5	25.6	100.0
	Tsuen Wan	23.9	1.9	88.3	114.1	20.9	1.7	77.4	100.0
	Tuen Mun	58.0	40.4	88.8	187.2	31.0	21.6	47.4	100.0
	Yuen Long	67.2	28.3	139.1	234.7	28.6	12.1	59.3	100.0
	North	24.6	29.4	57.4	111.3	22.1	26.4	51.5	100.0
	Tai Po	15.7	26.2	68.6	110.5	14.2	23.7	62.1	100.0
	Sha Tin	77.9	61.4	106.4	245.8	31.7	25.0	43.3	100.0
	Sai Kung	30.3	47.2	89.3	166.9	18.2	28.3	53.5	100.0
	Islands	22.5	3.6	41.3	67.4	33.4	5.4	61.3	100.0
	Whole Territory	816.5	411.5	1 441.6	2 669.5	30.6	15.4	54.0	100.0

		Domestic households ⁽¹⁾							
		No. ('000)				Percentage share in respective district (%)			
Type of housing		Public rental housing	Subsidised home ownership housing ⁽²⁾	Private housing ⁽³⁾	Overall	Public rental housing	Subsidised home ownership housing ⁽²⁾	Private housing ⁽³⁾	Overall
Year	District Council district (DCD)								
2022	Central and Western	2.7	-	81.3	84.0	3.2	-	96.8	100.0
	Wan Chai	1.8	-	58.1	60.0	3.0	-	97.0	100.0
	Eastern	38.4	28.0	120.2	186.6	20.6	15.0	64.4	100.0
	Southern	25.7	15.3	43.9	85.0	30.2	18.0	51.7	100.0
	Yau Tsim Mong	3.2	3.7	112.4	119.2	2.7	3.1	94.2	100.0
	Sham Shui Po	64.8	12.3	89.0	166.1	39.0	7.4	53.6	100.0
	Kowloon City	33.9	4.2	107.0	145.1	23.4	2.9	73.7	100.0
	Wong Tai Sin	74.4	46.2	27.7	148.3	50.2	31.1	18.7	100.0
	Kwun Tong	148.1	34.3	67.4	249.8	59.3	13.7	27.0	100.0
	Kwai Tsing	104.4	27.3	45.2	176.9	59.0	15.5	25.5	100.0
	Tsuen Wan	22.7	1.8	87.8	112.3	20.2	1.6	78.2	100.0
	Tuen Mun	59.2	42.4	88.5	190.1	31.2	22.3	46.5	100.0
	Yuen Long	66.3	28.6	138.0	232.9	28.5	12.3	59.2	100.0
	North	26.9	31.8	63.8	122.5	21.9	25.9	52.1	100.0
	Tai Po	15.6	27.5	68.2	111.2	14.0	24.7	61.3	100.0
	Sha Tin	79.2	61.7	104.5	245.5	32.3	25.1	42.6	100.0
	Sai Kung	29.1	46.9	93.6	169.6	17.1	27.7	55.2	100.0
	Islands	22.8	4.4	38.8	66.0	34.6	6.7	58.7	100.0
	Whole Territory	819.1	416.3	1 435.6	2 671.1	30.7	15.6	53.7	100.0

		Domestic households ⁽¹⁾							
		No. ('000)				Percentage share in respective district (%)			
Type of housing		Public rental housing	Subsidised home ownership housing ⁽²⁾	Private housing ⁽³⁾	Overall	Public rental housing	Subsidised home ownership housing ⁽²⁾	Private housing ⁽³⁾	Overall
Year	District Council district (DCD)								
2023	Central and Western	2.6	-	83.7	86.3	3.0	-	97.0	100.0
	Wan Chai	2.3	-	59.5	61.8	3.7	-	96.3	100.0
	Eastern	36.6	29.7	120.1	186.5	19.7	15.9	64.4	100.0
	Southern	24.6	15.4	45.7	85.7	28.7	18.0	53.3	100.0
	Yau Tsim Mong	3.2	3.8	113.7	120.7	2.6	3.1	94.2	100.0
	Sham Shui Po	65.0	13.0	89.1	167.1	38.9	7.8	53.3	100.0
	Kowloon City	34.7	3.7	110.2	148.6	23.3	2.5	74.2	100.0
	Wong Tai Sin	74.0	46.0	27.3	147.3	50.3	31.2	18.5	100.0
	Kwun Tong	145.0	34.1	68.3	247.4	58.6	13.8	27.6	100.0
	Kwai Tsing	103.9	28.7	45.9	178.5	58.2	16.1	25.7	100.0
	Tsuen Wan	22.3	1.7	87.3	111.3	20.0	1.5	78.4	100.0
	Tuen Mun	67.0	42.9	89.7	199.5	33.6	21.5	45.0	100.0
	Yuen Long	64.8	28.4	143.2	236.4	27.4	12.0	60.6	100.0
	North	32.6	32.5	57.9	123.0	26.5	26.4	47.1	100.0
	Tai Po	14.3	25.4	70.9	110.6	12.9	23.0	64.1	100.0
	Sha Tin	78.1	61.9	106.9	246.9	31.6	25.1	43.3	100.0
	Sai Kung	29.3	47.8	94.3	171.4	17.1	27.9	55.0	100.0
	Islands	24.1	5.5	42.0	71.5	33.6	7.6	58.7	100.0
	Whole Territory	824.3	420.5	1 455.6	2 700.4	30.5	15.6	53.9	100.0

Notes:

- Number of domestic households are rounded to the nearest hundred.
 - Figures may not add up to the total due to rounding.
 - Figures are compiled based on the survey results of the General Household Survey (GHS) from January to December of the year concerned as well as the mid-year population estimates, and may be regarded as referring to the average situation of the whole year.
- (1) Domestic household consists of a group of persons who live together and make common provision for essentials for living. These persons need not be related. If a person makes provision for essentials for living without sharing with other persons, he/she is also regarded as a household. In this case, the household is a one-person household. Households comprising only non-Hong Kong residents or Mobile Residents are not classified as domestic households.
 - (2) Subsidised home ownership housing includes flats built under the Home Ownership Scheme, Middle Income Housing Scheme, Private Sector Participation Scheme, Green Form Subsidised Home Ownership Scheme, Buy or Rent Option Scheme and Mortgage Subsidy Scheme, and flats sold under the Tenants Purchase Scheme of the Hong Kong Housing Authority. Also includes flats built under the Flat for Sale Scheme, Sandwich Class Housing Scheme and Subsidised Sale Flats Projects of the Hong Kong Housing Society, and flats in Urban Renewal Authority Subsidised Sale Flats Scheme. Subsidised sale flats that can be traded in open market are excluded.
 - (3) Private housing includes private permanent housing and temporary housing. Private permanent housing includes private housing blocks, flats built under the Urban Improvement Scheme of the Hong Kong Housing Society, villas/bungalows/modern village houses, simple stone structures/traditional village houses and quarters in non-residential buildings. Subsidised sale flats that can be traded in open market are also put under this category.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)167

(Question Serial No. 2593)

Head: (26) Census and Statistics Department

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

Programme: (3) National Accounts and Balance of Payments Statistics, (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics (Leo YU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget, the Department's expenditures on National Accounts and Balance of Payments Statistics, and General Statistical Services have increased as compared with the estimates of the previous year. The provision for National Accounts and Balance of Payments Statistics for 2024-25 is increased by \$4.8 million (4.8%) as compared with the revised estimates for 2023-24, mainly due to the increased salary provision for filling of vacancies and staff changes, and the increased operating expenses. Based on the above,

1. Could you please provide the specifics on the job vacancies and staff changes that led to the increase in cost figures?
2. Some members of the public have expressed concerns about the low readability of data survey reports published by the Census and Statistics Department. There is a certain threshold for the general public to understand the reports and the situation has existed for many years without improvement. Is there a plan for the Bureau to carry out internal reforms in the future to better serve the public?
3. It has been noted that the survey data released by the Department to the public has not always been timely. After the increase in provision, is there a plan for the Department to address these shortcomings of its previous work?
4. Could you please provide information on the statistical tools that are currently used by the Bureau? Is data visualisation included in the departmental assessments of the Bureau?

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 11)

Reply:

- (1) The provision for National Accounts and Balance of Payments Statistics has increased by \$4.8 million compared to the revised estimate for 2023-24, with about \$2.7 million for filling vacancies of civil service posts and about \$2.6 million for the increased provision for salaries of non-civil service staff and other operating expenses. The

increased provision is partially offset by the decrease in provision of around \$0.5 million in the Capital Account for 2024-25.

- (2) Census and Statistics Department (C&SD) has been gradually rolling out new Web Reports (i.e. reports in the form of webpage) on its departmental website since April 2023 to replace most statistical reports in PDF format. The Web Reports feature a brand new design which provides a clear and concise analysis of the latest social and economic trends, accompanied by key statistical charts and tables. Users can easily access key statistical information on mobile devices and personal computers anytime, anywhere. Additionally, they can download tables and charts in various formats (such as XLSX, CSV, XML, JPG and PNG) or export the whole report for further processing or archiving purposes. The reports also include links to more detailed statistics, enabling interested users to conduct in-depth studies. As at the end of February 2024, a total of 36 Web Reports have been published.
- (3) In the area of data dissemination, C&SD fully complies with the Special Data Dissemination Standard of the International Monetary Fund. The Standard sets out the international guidelines for the coverage, periodicity, timeliness, and quality, etc. of disseminated economic and financial data. Generally, monthly or quarterly statistics are released within one month or one quarter after the reference period respectively. This practice is consistent with that of other economies. For instance, monthly Consumer Price Index is released approximately 20 days after the reference month, while the quarterly Gross Domestic Product is released around one month after the reference quarter in Hong Kong.
- (4) C&SD utilises statistical software packages commonly adopted in the market, including SAS, Python and R, and tailor-made statistical tools developed by statistical authorities of other economies, such as X-12-ARIMA, CANCEIS and BANFF, to undertake statistical work. In addition, C&SD has used data visualisation tools to create interactive dashboards for presenting the 2021 Population Census results (<https://www.census2021.gov.hk/en/snapshot.html>) and statistics on selected topics (https://www.censtatd.gov.hk/en/page_5504.html). The Department plans to introduce more interactive dashboards on key statistics in the second half of 2025.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)168

(Question Serial No. 3308)

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:

What is the youth population aged 18 in Hong Kong?

Asked by: Hon TIK Chi-yuen (LegCo internal reference no.: 71)

Reply:

According to the latest figures of the population estimates released by the Census and Statistics Department, the provisional estimate of the Hong Kong population was 7 503 100 at end-2023, among which 51 000 were youths aged 18.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)169

(Question Serial No. 1533)

Head: (31) Customs and Excise Department

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

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Local money changers are licensed and supervised by the Customs and Excise Department (C&ED), yet there has been a rising number of cases involving questionable remittances made by money changers that caused loss to customers. As the estimate for 2024-25 of C&ED increases to more than \$6 billion, please inform this Committee of the following:

1. With the increased estimate, what measures will be taken to strengthen the supervision of local money changers so as to ensure the safety of customers' remittances?
2. As many members of the public are not aware that C&ED is responsible for supervising money changers, they have nowhere to turn to for assistance. Will the Government step up its publicity efforts in this regard?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 25)

Reply:

Under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO), anyone who intends to operate remittance or money changing services must obtain a licence from the Customs and Excise Department (C&ED). Apart from considering whether an applicant (including its partners, directors and ultimate owners) is a fit and proper person to operate a money service, C&ED also provides guidelines to ensure that licensees comply with a series of requirements, including establishing and maintaining effective internal monitoring policies to mitigate money laundering and terrorist financing risks, operating a money service at suitable premises, properly keeping accounts, so as to ensure that licensees properly operate their business. If a licensee is found to have contravened the AMLO or relevant guidelines, C&ED will initiate criminal prosecution or impose administrative sanctions against the licensee, including publicly reprimanding the licensee, ordering the licensee to implement remedial measures or pay a fine and/or impose additional licensing conditions.

C&ED attaches great importance to the compliance situation of remittance service. C&ED ensures that licensed money service operators (MSOs) comply with customer due diligence, record keeping and other licensing requirements through compliance inspections and various regulatory measures. If an MSO is found to have contravened the AMLO, C&ED will take immediate enforcement actions. Apart from criminal sanctions, offenders may be subject to disciplinary actions or administrative sanctions (e.g. licence suspension or revocation). For MSOs with high operational risks, C&ED will impose specific conditions on their licences and require verification of source of wealth and funds of high-risk customers in order to protect consumer interests.

In fact, C&ED has been paying close attention to losses suffered by members of the public in remittance through MSOs. For example, in 2023, C&ED received requests for assistance from a total of 161 persons concerning their bank accounts in the Mainland being frozen after using MSOs' remittance services, involving an amount of about RMB10.7 million. With C&ED's intervention, 94 of them have settled their cases through bilateral negotiation, involving an amount of about RMB6.9 million. C&ED will, within the remit of the relevant legislation, explore with Mainland and overseas authorities as to enhancing collaboration to assist the affected members of the public.

C&ED makes publicity of its regulation of MSOs through various channels such as press releases, social media, educational seminars customised for different groups (e.g. non-local tertiary students, foreign employees, etc.), and distribution of publicity materials. C&ED also reminds members of the public to refrain from using the services of unlicensed MSOs (including those on the Internet or social media platforms) and report suspected non-compliance cases through C&ED's telephone hotline and dedicated email address. C&ED upon receipt of the reports will actively follow up on the cases and provide assistance to the affected persons.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)170****(Question Serial No. 0456)**Head: (79) Invest Hong KongSubhead (No. & title): (-) Not SpecifiedProgramme: (-) Not SpecifiedControlling Officer: Director-General of Investment Promotion (Alpha LAU)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Paragraph 139 of the Budget reads “The new Capital Investment Entrant Scheme (new CIES) will soon invite applications. Eligible investors who invest HK\$27 million or more in qualifying assets and place HK\$3 million into a new CIES Investment Portfolio may apply to reside in and pursue development in Hong Kong.”

In this connection, will the Government advise this Committee of the latest progress of the scheme; and the estimated expenditure on relevant items such as staffing for processing applications and organisation of publicity activities?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 4)

Reply:

The New Capital Investment Entrant Scheme (the New Scheme) was launched on 1 March 2024. As of 5 April, Invest Hong Kong (InvestHK) has received over 1 800 enquiries and 53 applications, and approved Net Asset Assessment for 3 applications.

The New Capital Investment Entrant Scheme Office (NCIESO) under InvestHK is responsible for assessing whether the applications under the New Scheme fulfil the financial requirements concerned. The Immigration Department (ImmD) is responsible for assessing the applications for visa/entry permit and extension of stay, etc. under the New Scheme. The estimated expenditure is tabulated below:

Department	Estimated expenditure in 2024-25 (\$ million)
InvestHK / NCIESO	22.997
ImmD	4.429

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)171****(Question Serial No. 0092)**Head: (79) Invest Hong KongSubhead (No. & title): (-) Not SpecifiedProgramme: (-) Not SpecifiedControlling Officer: Director-General of Investment Promotion (Alpha LAU)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The new Capital Investment Entrant Scheme mentioned in paragraph 139 of the Budget Speech is now open to application. How many applications have been received so far? What is the total amount of investment involved in the applications received? What are the manpower and expenditure to be involved for processing and vetting the applications this year and next year respectively? What is the estimated time required on average for vetting each application?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 13)Reply:

The New Capital Investment Entrant Scheme (the New Scheme) was launched on 1 March 2024. The New Capital Investment Entrant Scheme Office (NCIESO) under Invest Hong Kong (InvestHK) is responsible for assessing whether the applications under the New Scheme fulfil the financial requirements concerned. The NCIESO team consists of 3 civil servants (including 1 Chief Executive Officer and 2 Senior Executive Officers) and 24 non-civil service contract staff. The Immigration Department (ImmD) is responsible for assessing the applications for visa/entry permit and extension of stay, etc. under the New Scheme. The manpower involves 4 civil service posts (including 3 Immigration Officers and 1 Chief Immigration Assistant).

The estimated expenditure of NCIESO and ImmD for implementing the New Scheme is tabulated below:

Department	Estimated expenditure (\$ million)	
	2023-24	2024-25
InvestHK / NCIESO	7.305	22.997
ImmD	1.36	4.429

Since the launch of the New Scheme up to 5 April, InvestHK has received over 1 800 enquiries and 53 applications, and approved Net Asset Assessment for 3 applications.

NCIESO and ImmD will process the applications as soon as possible. The time required will vary depending on the complexity of individual applications, the adequacy of supporting documents provided by the applicants, etc. and cannot be generalised.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)172****(Question Serial No. 3890)**Head: (79) Invest Hong KongSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Investment PromotionControlling Officer: Director-General of Investment Promotion (Alpha LAU)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Provision for 2024-25 is \$21.0 million (7.4%) higher than the revised estimate for 2023-24. This is mainly due to the increased provisions for implementing the New Capital Investment Entrant Scheme (CIES), as well as engaging consultants and organising activities to strengthen investment and trade promotion work in emerging markets along the Belt and Road. In this connection, please inform this Committee of the specific expenditure and the key performance indicators for the implementation of the New CIES.

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 27)Reply:

The New Capital Investment Entrant Scheme (the Scheme) was launched on 1 March 2024. As of 5 April, Invest Hong Kong (InvestHK) has received over 1 800 enquiries and 53 applications, and approved Net Asset Assessment for 3 applications. InvestHK collaborates with other relevant Government departments to promote the New Scheme to various business associations, international stakeholders and family offices, and will step up publicity through the Dedicated Teams for Attracting Businesses and Talents and Investment Promotion Divisions (which base in the Economic and Trade Offices around the globe) to target client groups. While not setting a hard performance target for the New Scheme, the Government will suitably evaluate its effectiveness to ensure that the relevant arrangements and measures can attract target asset owners to deploy and manage their wealth, and fully realise the diversified investment opportunities in Hong Kong.

The New Capital Investment Entrant Scheme Office (NCIESO) under InvestHK is responsible for assessing whether the applications under the New Scheme fulfil the financial requirements concerned. The Immigration Department is responsible for assessing the applications for visa/entry permit and extension of stay, etc. under the New Scheme. The estimated expenditure is tabulated below:

Department	Estimated expenditure in 2024-25 (\$ million)
InvestHK / NCIESO	22.997
Immigration Department	4.429

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)173****(Question Serial No. 2116)**Head: (116) Official Receiver's OfficeSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Official Receiver's OfficeControlling Officer: Official Receiver (MCKENNA Phyllis)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding bankruptcy cases, would the Government inform this Committee of:

- 1) the numbers of bankrupts and year-on-year changes over the past 5 years (from 2019-20 to 2023-24);
- 2) the numbers of bankrupts and their percentages categorised by age, residence type, and cause of bankruptcy over the past 5 years (from 2019-20 to 2023-24);
- 3) the numbers of bankrupts and their percentages categorised by liabilities level and monthly income over the past 5 years (from 2019-20 to 2023-24);
- 4) on the outsourcing of preliminary examination of bankrupts and the outsourcing of a certain number of debtor-petition summary bankruptcy cases to practitioners in the private sector, the numbers of outsourced cases and their percentages in the total numbers of bankruptcy cases over the past 5 years (from 2019-20 to 2023-24); and
- 5) on the outsourcing of preliminary examination of bankrupts and the outsourcing of a certain number of debtor-petition summary bankruptcy cases to practitioners in the private sector, the respective manpower, expenditure and time saved over the past 5 years (from 2019-20 to 2023-24)?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 37)Reply:

- (1) The number of bankruptcy orders from 2019-20 to 2023-24 and the percentage changes compared with preceding year are as follows:-

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Number of bankruptcy orders	6 530	8 266	5 863	6 261	7 408
Percentage change compared to the preceding year	-10%	+27%	-29%	+7%	+18%

[Remarks: The figures of bankruptcy orders were affected by opening and closing of court and social distancing measures put in place by Judiciary during the period of pandemic from 2020 to 2023.]

- (2)-(3) Based on the information collected by the Official Receiver's Office (ORO) in the past 5 years from cases where the profile statistics are ascertainable, the distributions of age, residence types, causes of bankruptcy, liabilities level and monthly income of the bankrupts are as follows:-

Age of Bankrupts	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
30 or below	15.13%	15.97%	15.08%	16.40%	17.24%
Above 30 to 40	23.62%	21.19%	22.24%	23.05%	23.55%
Above 40 to 50	25.27%	24.20%	25.87%	24.55%	23.75%
Above 50	35.98%	38.64%	36.81%	36.00%	35.46%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Residence Types of Bankrupts	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Public Housing	58.04%	53.88%	55.85%	54.17%	53.68%
Private Apartment (owned by bankrupts*)	1.27%	1.39%	1.08%	1.83%	1.99%
Private Apartment (not owned by bankrupts)	40.69%	44.73%	43.07%	44.00%	44.33%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* The properties are under mortgage / charge.

Causes of Bankruptcy	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Overspending (Note 1)	24.39%	N/A	N/A	N/A	N/A
Unemployment / Loss of Employment (Note 1)	2.78%	30.71%	30.58%	25.41%	24.31%
Income Could Not Meet Basic Expenses	44.07%	46.04%	49.44%	46.23%	45.00%
Negative Equity (Note 1)	0.06%	0.20%	0.41%	0.59%	0.64%
Loss in Investment	1.34%	1.49%	1.56%	2.70%	2.74%
Loss in Gambling / Speculation	6.14%	4.99%	5.68%	9.49%	10.40%
Liabilities incurred on Personal Guarantees	0.71%	0.93%	0.53%	1.00%	0.64%
Increase in Medical Expenses (Note 1)	0.15%	1.22%	1.58%	1.75%	0.91%
Liabilities incurred on Divorce-Related Matters (Note 1)	0.00%	0.14%	0.05%	0.20%	0.14%
Poor Business (Note 1)	0.17%	1.46%	1.39%	1.20%	2.17%
Decline in Business	1.52%	1.04%	1.03%	0.98%	0.66%
Economic Downturn (Note 1)	0.02%	0.75%	0.55%	0.79%	0.54%
Insufficient Capital	1.29%	0.24%	0.12%	0.26%	0.44%
Increase in Costs (Rent, Wages etc.)	0.67%	1.24%	0.02%	0.02%	0.06%

Causes of Bankruptcy	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Management Failure	3.11%	1.14%	0.10%	0.26%	0.14%
Shareholders/Partners Dispute	0.00%	0.03%	0.00%	0.00%	0.02%
Excessive Use of Credit Facilities	6.51%	2.16%	0.96%	0.81%	0.99%
Victim of Fraud	0.75%	1.99%	2.33%	4.35%	5.53%
Bad Debts	0.40%	0.32%	0.29%	0.55%	0.85%
Adverse Legal Action (Other Than Divorce-Related) <i>(Note 1)</i>	0.02%	0.32%	0.31%	0.33%	0.26%
Unforeseen Circumstances	0.02%	0.19%	0.24%	0.26%	0.12%
Others	5.88%	3.40%	2.83%	2.82%	3.44%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

(Note 1): With effect from January 2020, the categories of causes of failure of bankrupts have been revised. Under the re-categorisation, the item of “Overspending” was deleted whereas that of “Unemployment/Lost of Employment”, “Negative Equity”, “Increase in Medical Expenses”, “Liabilities incurred on Divorced-Related Matters”, “Poor Business”, “Economic Downturn” and “Adverse Legal Action (Other Than Divorced-Related)” were added.

Indebtedness of Bankrupts	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
\$0.2 million or below	20.83%	20.07%	19.89%	14.57%	12.16%
Above \$0.2 million - \$0.4 million	36.36%	36.03%	34.98%	31.73%	31.32%
Above \$0.4 million - \$0.6 million	19.57%	18.75%	18.31%	21.36%	20.93%
Above \$0.6 million - \$0.8 million	8.54%	9.30%	8.94%	11.06%	11.43%
Above \$0.8 million - \$1 million	4.24%	4.96%	4.43%	5.87%	6.04%
Above \$1 million - \$2 million	6.80%	6.97%	8.68%	8.58%	10.12%
Above \$2 million - \$6 million	2.78%	2.70%	3.48%	4.90%	5.61%
Above \$6 million	0.88%	1.22%	1.29%	1.93%	2.39%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Monthly Income of Bankrupts	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
No Income	37.61%	43.16%	40.99%	38.75%	35.68%
Above \$0 - \$10,000	14.67%	14.80%	13.90%	13.52%	14.69%
Above \$10,000 - \$15,000	18.66%	17.85%	17.50%	14.90%	12.42%
Above \$15,000 - \$20,000	16.49%	14.08%	15.36%	17.07%	17.87%
Above \$20,000 - \$25,000	7.60%	6.09%	7.29%	8.56%	9.90%
Above \$25,000	4.97%	4.02%	4.96%	7.20%	9.44%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

- (4) The number of outsourced preliminary examination of bankrupts to practitioners in the private sector and its percentage to the number of bankruptcy orders made for the year of 2019-20 to 2023-24 are as follows:

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Number of cases outsourced for preliminary examination	5 524	6 568	4 454	4 596	5 541
Percentage against total number of bankruptcy order made for that year	85%	79%	76%	73%	75%

The number of outsourced summary debtor-petition bankruptcy cases and its percentage to the number of bankruptcy orders made for the year of 2019-20 to 2023-24 are as follows:

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Number of outsourced summary debtor-petition bankruptcy cases (<i>Note 2</i>)	1 270	2 046	1 143	1 000	1 473
Percentage against total number of bankruptcy order made for that year	19%	25%	19%	16%	20%

(*Note 2*): ORO only outsources preliminary examination of bankrupts in debtor-petition bankruptcy cases and certain percentage of summary debtor-petition bankruptcy cases under the respective outsourcing schemes. The schemes do not cover creditor-petition bankruptcy cases. Also, preliminary examination of bankrupts is outsourced after receipt of bankruptcy petition in a case whereas summary debtor-petition bankruptcy case is outsourced after the making of bankruptcy order.

- (5) For outsourcing of preliminary examination of bankrupts, the average time saving per case is about 1.5 man-hours and the total amount of time saved from 2019-20 to 2023-24 are as follows:

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Number of man-hours saved	8 286	9 852	6 681	6 894	8 312

For the outsourced summary debtor-petition bankruptcy cases, since the complexity of the work involved in administration of each individual case can vary significantly, the time required to finalise the cases would vary considerably. As such, it would not be possible to estimate the cost to the Government if they were administered by ORO and the total amount of savings cannot be estimated.

CONTROLLING OFFICER'S REPLY**FSTB(FS)174****(Question Serial No. 3779)**Head: (116) Official Receiver's OfficeSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Official Receiver's OfficeControlling Officer: Official Receiver (MCKENNA Phyllis)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding winding-up cases, would the Government inform this Committee of:

- 1) the numbers of winding-up companies and year-on-year changes over the past 5 years (from 2019-2020 to 2023-2024);
- 2) the numbers of winding-up companies and their percentages categorised by company type, asset scale, and cause of liquidation over the past 5 years (from 2019-2020 to 2023-2024);
- 3) the numbers of summary and non-summary winding-up cases and the respective numbers of cases outsourced and not outsourced to the practitioners in the private sector over the past 5 years (from 2019-2020 to 2023-2024); and
- 4) on the outsourcing of summary and non-summary winding-up cases to practitioners in the private sector, the respective manpower, expenditure and time saved over the past 5 years (from 2019-2020 to 2023-2024)?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 52)Reply:

- (1) The number of winding-up cases from 2019-20 to 2023-24 and the percentage changes compared with preceding year are as follows:-

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Number of winding-up orders	197	281	273	324	390
Percentage change compared to the preceding year	-21%	+43%	-3%	+19%	+20%

[Remarks: The figures of winding-up orders were affected by opening and closing of court and social distancing measures put in place by Judiciary during the period of pandemic from 2020 to 2023.]

(2) and (3)

Under the prevailing policy, the Official Receiver's Office (ORO) outsources all winding-up cases to private insolvency practitioners (PIPs). For summary winding-up cases (with estimated realisable assets of \$200,000 or below), the cases will be outsourced under tender scheme. As to non-summary winding-up cases (with estimated realisable assets over \$200,000), the cases will be outsourced under an Administrative Panel Scheme¹ in absence of any nomination by creditors and contributories.

A breakdown showing the different categories of winding-up cases for the years of 2019-20 to 2023-24 and their percentages against the number of winding-up cases in the corresponding year is shown in the following table. ORO does not keep statistics on the types, actual asset realised and causes of liquidation of the wound-up companies.

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Outsourced summary cases	164 (83%)	222 (79%)	211 (77%)	258 (80%)	323 (83%)
Outsourced non-summary winding-up cases under the Administrative Panel Scheme	14 (7%)	24 (9%)	14 (5%)	19 (6%)	18 (4%)
Others (<i>Note 2</i>)	19 (10%)	35 (12%)	48 (18%)	47 (14%)	49 (13%)
Total	197 (100%)	281 (100%)	273 (100%)	324 (100%)	390 (100%)

(Note 1): These are non-summary cases with appointment of liquidators nominated by creditors/contributories or pending appointment of liquidators by court.

- (4) For the outsourced winding-up cases, since the complexity of the work involved in administration of each individual case can vary very significantly, the time and expenses required to finalise the cases would vary considerably. Besides, staff in the ORO responsible for handling the outsourced cases are also required to handle bankruptcy cases and other duties at the same time. As such, it is not possible to estimate the manpower, expenditure and time saved in relation to the outsourced cases.

– End –

¹ Under the Administrative Panel Scheme, a liquidator will be nominated for appointment from the list of admitted PIP firms to administer the non-summary liquidation cases where there is no nomination by creditors and contributories.

CONTROLLING OFFICER'S REPLY

FSTB(FS)175

(Question Serial No. 1250)

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:

What are the manpower, establishment and total expenditure on emoluments of the Official Receiver's Office in 2024-25?

In comparison with the previous financial year, what are the changes?

How many bankruptcy cases were handled by the Official Receiver's Office in the previous financial year?

How many bankruptcy cases are estimated to be handled by ORO in 2024-25? In comparison with the previous financial year, what is the increase?

Would or could ORO reduce the fees charged from bankruptcy petitioners in the new financial year so that the hardship of bankruptcy petitioners of being unable to file for bankruptcy while being penniless can be alleviated as much as possible?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 27)

Reply:

In 2024-25, there will be 279 permanent posts in the Official Receiver's Office (ORO) involving approximately \$184.83 million of personal emoluments. As compared with 2023-24, there will be a decrease of two permanent posts and an increase of \$10.46 million budgeted for personal emoluments, which includes the budgeted emoluments for the projected filling of vacant civil service posts.

The number of bankruptcy cases handled by the ORO in 2022-23 and 2023-24 as well as the estimated number of bankruptcy cases to be handled in 2024-25 are as follows:-

	2022-23 (Actual)	2023-24 (Actual)	2024-25 (Estimated)
Number of cases completed (i.e. cases stayed, rescinded, and with release order made) <i>(Note 1)</i>	9 434 <i>(Note 2)</i>	6 543	9 579
Number of active cases being handled <i>(Note 1)</i>	56 717	57 016	57 224
Total	66 151	63 559	66 803 <i>(Note 3)</i>

(Note 1) The number of bankruptcy cases handled by the ORO includes in-house cases administered by the Official Receiver (OR) and outside trustee cases requiring the OR's monitoring.

(Note 2) In 2022-23, the court stepped up effort in clearing the backlog release applications and granted more release orders.

(Note 3) The number of estimated total cases in 2024-25 is 5.1% higher than that in 2023-24.

Upon presentation of bankruptcy petition against himself, a debtor is required to pay a deposit with the ORO under the Bankruptcy Rules (Cap. 6A). The deposit 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 first-time bankrupt is automatically discharged from bankruptcy 4 years after the making of bankruptcy order. In case where there is objection from creditor or trustee and the court considers appropriate, the bankruptcy period of a bankrupt may be extended by the court up to 8 years. Therefore, a bankruptcy case is required to be administered for at least 4 to 8 years. As trustee-in-bankruptcy in the in-house cases, the Official Receiver needs to carry out various statutory duties as stipulated in the Bankruptcy Ordinance (Cap. 6) such as realisation of the bankrupts' assets, investigation into the conduct and affairs of the bankrupts, distribution of dividend to creditors and review of the bankrupts' discharge during the bankruptcy period.

The amount of deposit to be paid by a debtor to the ORO for his / her bankruptcy petition was last revised in 2013, when the amount was reduced from \$8,650 to \$8,000. 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. Under the law, the ORO is entitled to receive a minimum fee of \$11,250 on all in-house bankruptcy cases. However, based on the statistics of the past 3 years, only 2% of cases handled by the ORO had adequate assets to fully cover the costs necessarily incurred by the ORO or the trustee in administering the cases. For the remaining 98% of the cases, they have no or inadequate assets and the ORO had to cover the shortfall. The ORO has regularly reviewed its work procedures with a view to identifying room for streamlining and enhancing efficiency, and will keep its fees and charges, including the level of the petitioner's deposit under review from time to time.

- End -