

Press Release

LCQ19: Development of an Islamic financial market in Hong Kong

Wednesday, February 28, 2018

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (February 28):

Question:

As early as in 2007, the then Chief Executive first mentioned in his Policy Address the development of an Islamic financial market and set the introduction of Islamic finance and the development of an Islamic bond (sukuk) market in Hong Kong as one of the Government's first initiatives. To that end, this Council passed amendments to the Inland Revenue Ordinance (Cap. 112) and the Stamp Duty Ordinance (Cap. 117) in July 2013. In 2014, the Government offered its inaugural sukuk under the Government Bond Programme. The Chief Executive of the last term reiterated in 2016 that Hong Kong would strive to set up a platform conducive to the development of Islamic finance, and its efforts included enhancing the related market infrastructure, providing manpower training, and promoting the development of Islamic financial products and co-operation with other Islamic financial markets. In this connection, will the Government inform this Council:

(1) whether it has assessed if the Government's efforts in developing an Islamic financial market in the past 10 years have achieved the expected effects, and the major changes in relevant opportunities during the period; if it has assessed, of the details, including the annual changes in Hong Kong's market share in global Islamic financial activities; if not, the reasons for that;

(2) whether, for the purpose of developing an Islamic financial market, the current-term Government has specific plans in the areas such as enhancing market infrastructure, providing manpower training, and promoting product development and co-operation with other Islamic financial markets; if so, of the details; if not, the reasons for that; and

(3) whether it has formulated quantitative indicators for the next 5, 10 and 15 years for assessing the effectiveness of its efforts in developing an Islamic financial market; if so, of the details; if not, the reasons for that?

Reply:

President,

To promote the development of Islamic finance including the sukuk market in Hong Kong, we amended our laws in 2013 and 2014 respectively to provide a tax structure for sukuk which is comparable with that for conventional bonds, and to allow for the issuance of sukuk under the Government Bond Programme (the Programme). In 2014, 2015 and 2017, three sukuks were issued under the Programme to demonstrate to the global market the strengths of our Islamic finance platform, with a view to attracting more issuers and investors to participate in the capital market of Hong Kong.

The development of the sukuk market depends on a number of factors, including market education, and issuer and investor appetite. An array of Islamic financial products and services have already been introduced in Hong Kong, including the listing of global sukuk on the Hong Kong Stock Exchange, Islamic funds and Islamic banking windows.

Regarding talent development, the Hong Kong Monetary Authority and Bank Negara Malaysia have jointly organised Islamic finance conferences in Hong Kong. The Treasury Markets Association has also organised training sessions and seminars on Islamic finance.

The global financial market is fast-changing. We will continue to monitor the development of the domestic and global Islamic finance market, and introduce timely measures to further the development of Islamic finance in Hong Kong.

Ends