

FINANCIAL SERVICES & FAMILY OFFICES INDUSTRIES NEWS ON OPPORTUNITIES & SUPPORT MEASURES

2021-22 BUDGET SPEECH

Policy Initiatives for Financial Services Sector

On 24 February 2021, the Financial Secretary delivered the 2021-22 Budget Speech, which revealed the latest highlights and policy initiatives for the financial services sector of Hong Kong:

Major highlights

- The value added of the financial services industry in Hong Kong accounted for 21 percent of the GDP in 2019, and its share of the overall employment increased from 6.8 percent in 2018 to 7.1 percent in 2019
- The Hong Kong stock market recorded an average daily turnover of \$129.5 billion in 2020, representing an increase of 49 percent over 2019
- A total of \$397.5 billion was raised through IPO in 2020, representing an increase of 27 percent over 2019
- 11 Open-ended Fund Company (OFC) and over 100 Limited Partnership Fund (LPF) have already set up

Policy initiatives

- To issue no less than \$24 billion of Silver Bond and no less than \$15 billion of iBond this year. Lower the eligible age for Silver Bond subscription from 65 to 60
- To issue green bonds totalling \$175.5 billion within the next 5 years, and plan to issue retail green bonds
- To roll out Green and Sustainable Finance Grant Scheme to subsidise expenses on bond issuance and external review services
- To strive for the launch of Southbound Trading of Bond Connect within this year, and enhance the domestic Central Moneymarkets Unit
- To provide subsidy for Real Estate Investment Trusts to list in Hong Kong
- To launch a Pilot Insurance-linked Securities Grant Scheme to subsidise issuance costs
- To provide subsidy for Open-ended Fund Companies to set up in or re-domicile to Hong Kong
- To review tax arrangements relevant to family office business



INSURANCE



Insurance Authority Welcomes Pilot Insurance-linked Securities Grant Scheme

On 24 February 2021, the Insurance Authority (IA) welcomes the Pilot Insurance-linked Securities Grant Scheme (Pilot ILS Grant Scheme) announced in the 2021-22 Budget.

“The Pilot ILS Grant Scheme will attract insurance enterprises or organisations to issue insurance-linked securities (ILS) in Hong Kong,” said Dr Moses Cheng, Chairman of the IA. “Together with the new regulatory regime to be launched later this year, it will pave way for Hong Kong to become the preferred domicile for ILS, in particular catastrophe bonds. This will enhance the sustainable development of our insurance industry.”

The IA is preparing the implementation details of the new regulatory regime and will announce the details of the Pilot ILS Grant Scheme in due course, with a view to enabling the first ILS issuance in Hong Kong within this year.

Source: Insurance Authority

FINTECH

FinTech Co-operation between the Hong Kong Monetary Authority and the Central Bank of the United Arab Emirates

On 23 February 2021, The Hong Kong Monetary Authority (HKMA) and the Central Bank of the United Arab Emirates (CBUAE) jointly announced the exchange of a Memorandum of Understanding (MoU) to enhance collaboration on FinTech between the two authorities, with a view to strengthening co-operation between the two jurisdictions in promoting innovative financial services and regulatory development.

The MoU was signed by Mr Eddie Yue, Chief Executive of the HKMA, and H.E. Abdulhamid M. Saeed Alahmadi, Governor of the CBUAE. Under the MoU, the two authorities have agreed that the CBUAE will join the multiple central bank digital currency bridge (m-CBDC Bridge) project collaboratively implemented by the HKMA, the Bank of Thailand, the Digital Currency Institute of the People's Bank of China and the Bank for International Settlements Innovation Hub Centre in Hong Kong.

Mr Yue said, “The HKMA has been making considerable efforts to expand our international FinTech network to include counterparts in the Middle East, and CBUAE is naturally a valuable partner of our network. We anticipate that a lot of synergies will arise from the strengthened collaboration under the MoU, and look forward to the CBUAE's joining of our CBDC project to enrich, and bring in new thoughts and perspectives for the project.”



H.E. Abdulhamid M. Saeed Alahmadi said, “We are very pleased to embark on this journey with an esteemed institution as the HKMA. CBUAE has recently completed a wholesale CBDC proof of concept project with the Saudi Central Bank to settle domestic and cross-border transactions using central bank money on a distributed ledger technology. Building on this momentum, CBUAE is very excited to be able to use the experience gained so far and participate in the m-CBDC Bridge project. The MoU will certainly set the stage for future joint experimentation of digital innovation between CBUAE and the HKMA.”

Source: <https://www.info.gov.hk/gia/general/202102/23/P2021022300492.htm>

WEALTH MANAGEMENT



SFC - MoU on Cross-boundary Wealth Management Connect

The Securities and Futures Commission (SFC) announced on 5 February that it has entered into a Memorandum of Understanding (MoU) on the Cross-boundary Wealth Management Connect Pilot Scheme in Guangdong-Hong Kong-Macao Greater Bay Area (the Scheme) with the People’s Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, the State Administration of Foreign Exchange, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao.

The MoU aims to provide a framework for exchange of supervisory information and enforcement cooperation as well as a liaison mechanism for investor protection issues among the regulatory authorities in the three jurisdictions. It complements existing regulatory cooperation among the relevant authorities.

The MoU would lay a solid foundation for the launch of the Scheme, which would deepen financial integration of the Greater Bay Area. The SFC will continue to work with the HKMA and other relevant authorities to prepare for an early launch.

Source: *Securities and Futures Commission*

SUPPORT TO SMEs

Enhancements to the Special 100% Loan Guarantee

The Financial Secretary announced in the 2021-22 Budget on 24 February 2021 that enhancements will be made to the Special 100% Loan Guarantee of the SME Financing Guarantee Scheme (SFGS) and the application period will be extended to 31 December 2021, in order to further alleviate the cash flow pressure of small and medium-sized enterprises. The improvements of the scheme are as follows:



1. Maximum amount of loan: the total amount of employee wages and rents for 18 months, or HK\$6 million, whichever is lower
2. Maximum repayment period: increase from 5 years to 8 years
3. Maximum principal moratorium arrangement: increase from 12 months to 18 months

Under the enhancement measures, eligible enterprises should have been operating for at least three months, and meet the below condition:

- Eligible enterprises should have been in operation for at least three months before 30 June 2020
- Comparing with the monthly average of any quarter from early 2019 to mid-2020, the turnover should have declined by at least 30 percent decline in any month since February 2020

The HKMC Insurance Limited has been working with the lenders for preparation of the launch. Details will be announced in due course.

Source: Hong Kong Monetary Authority

CAPITAL MARKETS



SFC Press Release - SFC and FRC to Enhance Collaboration

The Securities and Futures Commission (SFC) and the Financial Reporting Council (FRC) have concluded a new Memorandum of Understanding (MoU) to strengthen the regulation of the capital markets through enhanced collaboration between the two regulators.

Under the new MoU, which took effect on 24 February 2021, the SFC and the FRC agreed to foster closer cooperation in the regulation of the securities and futures market, particularly in relation to the regulation under their respective supervisory regimes of listed entity auditors and compliance by listed entities with financial reporting requirements.

The enhanced collaboration between the SFC and the FRC under the new MoU, which includes case referrals, joint investigations, mutual assistance, capacity building and the exchange and use of information, will increase the overall effectiveness of both regulators in ensuring the quality of financial reporting by listed entities and the audit quality of listed entity auditors. It will also help maintain the integrity of Hong Kong's capital market and its reputation as an international financial centre.

To ensure that their regulatory efforts are well coordinated, the two regulators agreed to notify one another when preparing and issuing policies or guidelines which may have a significant impact on their respective regulatory functions.

Source: Securities and Futures Commission

CONTACT US

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