



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

## HONG KONG BUSINESS ENVIRONMENT

### HKSAR Government Publishes Report on Hong Kong's Business Environment: A Place with Unique Advantages and Unlimited Opportunities

The HKSAR Government has published "Report on Hong Kong's Business Environment: A Place with Unique Advantages and Unlimited Opportunities". The Report reviews and sets out Hong Kong's current business environment and advantages following the events over the past two years, and describes the development opportunities available to Hong Kong under the country's new phase and pattern of development. The HKSAR Government will strive for institutional and policy innovation to assist local and overseas enterprises in Hong Kong to capitalise on the new potential to propel the Hong Kong economy up the value-added ladder. Director-General of Investment Promotion, Mr Stephen Phillips said that the report has set out very clearly the exciting opportunities for businesses from around the world in Hong Kong. Watch his video here: <https://youtu.be/zhSxxEo32I4>

Click here for the full report: <https://lnkd.in/gA5uWka6>



## CROSS-BOUNDARY WEALTH MANAGEMENT CONNECT



### HKMA Promulgates Implementation Details for Cross-Boundary Wealth Management Connect Pilot Scheme in Guangdong-Hong Kong-Macao Greater Bay Area

The Hong Kong Monetary Authority (HKMA) promulgated on 10 September 2021 the implementation details for the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (Cross-boundary WMC), providing supervisory guidance for the industry.

The People's Bank of China and the Monetary Authority of Macao also promulgated today the respective implementation details of the Cross-boundary WMC applicable to the Mainland and Macao. This marks the conclusion of the supervisory framework with implementation details required for the formal launch of the Cross-boundary WMC. Banks may start offering Cross-boundary WMC services upon completion of the relevant preparatory work.

The Chief Executive of the HKMA, Mr Eddie Yue, said, "The official launch of the Cross-boundary WMC marks another encouraging development of financial cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). Individual investors in the three places will be able to make use of the convenient channel provided by the Cross-boundary WMC to invest in more diversified wealth management products across the boundary. The scheme will not only offer more investment options for individual GBA investors but also create new opportunities for the banking and wealth management industry in the three places. In addition, it will promote the cross-boundary circulation and use of the renminbi (RMB), thereby further consolidating Hong Kong's role as the global hub for offshore RMB."

In the course of developing the implementation details of the Cross-boundary WMC, the HKMA has maintained close communication with the Securities and Futures Commission, Mainland and Macao regulatory authorities as well as the industry, with a view to providing the industry and investors with as much flexibility as possible while ensuring proper risk controls and adequate investor protection. The HKMA will closely monitor the operation of the scheme, and maintain close dialogue with various stakeholders to ensure smooth operation of the scheme and seek further enhancement as and when appropriate.

Source: *Hong Kong Monetary Authority*

## FUND MANAGEMENT

### SFC Concludes Consultation on Climate-Related Risks in Funds

On 20 August 2021, the Securities and Futures Commission (SFC) issued amendments to the Fund Manager Code of Conduct and a circular setting out expected standards for fund managers managing collective investment schemes to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures.

That accompanied the release of the same day of consultation conclusions on proposed climate-related risk management and disclosure requirements for fund managers. In reaching its conclusions, the SFC received wide support from the industry for financial regulators to play a role in setting baseline requirements for managing climate-related risks and combating greenwashing.

The SFC made reference to the Task Force on Climate-related Financial Disclosures Recommendations in developing the requirements and also considered the global regulatory trend towards harmonisation and comparability of standards across jurisdictions.

“Asset managers play a key role in providing investors with quality and comparable information about climate-related risks,” said Ms Julia Leung, the SFC’s Deputy Chief Executive Officer and Executive Director of Intermediaries. “The requirements will help channel investment capital to companies with sustainable goals and facilitate the transition to a low carbon economy.”

The new requirements will be implemented in phases with the first phase to begin on 20 August 2022.

Source: *Securities and Futures Commission*



## GREEN AND SUSTAINABLE FINANCE

### Cross-Agency Steering Group Announces Next Steps to Advance Hong Kong’s Green and Sustainable Finance Strategy



On 15 July 2021, the Green and Sustainable Finance Cross-Agency Steering Group (“Steering Group”) announced the next steps to advance its collaborative strategy to bolster Hong Kong’s position as a leader in green and sustainable finance and help transition the financial ecosystem towards carbon neutrality. As priorities, the Steering Group will focus on climate-related disclosures and sustainability reporting, carbon market opportunities and the launch of the new Centre for Green and Sustainable Finance (“Centre”).



## Climate-related disclosures & sustainability reporting

Making progress towards mandating climate-related disclosures aligned with the Task Force on Climate-related Financial Disclosures (“TCFD”) framework by 2025 across relevant sectors, the Steering Group supports the efforts by the International Sustainability Standards Board under the International Financial Reporting Standards Foundation to develop a new standard which would be built on the TCFD framework. The Securities and Futures Commission (“SFC”) and the Hong Kong Exchanges and Clearing Limited (“HKEX”) will collaborate with the Financial Reporting Council and the Hong Kong Institute of Certified Public Accountants to work on a roadmap to evaluate and potentially adopt the new standard.

## Carbon market opportunities

Mainland China and key overseas markets are dedicated to transitioning to a green, low-emission and climate-resilient economy and the global carbon market is expected to grow significantly. As an international financial centre, Hong Kong is in a unique position to play a strategic role as China’s gateway and mobiliser of capital to facilitate the national carbon neutrality goal.

The Steering Group is seeking to capitalise on this opportunity and has set up a Carbon Market Work Stream (“CMWS”) co-chaired by the SFC and HKEX to assess the feasibility of developing Hong Kong as a regional carbon trading centre to strengthen collaboration in the Guangdong-Hong Kong-Macao Greater Bay Area. The CMWS will actively explore opportunities presented by both the cap-and-trade carbon market and the voluntary carbon market in China and overseas.

Source: *Insurance Authority*

## FUTURES

### Approval of the Launch of the First A Shares Index Futures Contract

The Securities and Futures Commission (SFC) has approved the launch of the first A shares index futures contract by the Hong Kong Exchanges and Clearing Limited (HKEX) on 28 August 2021.

Since the launch of the Mainland and Hong Kong Stock Connect (Stock Connect) in 2014, international investors have increasingly participated in the A shares market via the northbound trading link.

“This A shares index futures contract provides a significant new risk management tool for the growing number of global investors who participate in China’s A shares market, including those trading through Hong Kong’s Stock Connect mechanism. The ability to trade A shares futures in Hong Kong, and to hedge pricing risks effectively, is expected to facilitate the further growth of long term capital flows into the Mainland financial markets,” the SFC’s Chief Executive Officer, Mr Ashley Alder said.



“The new contract is a major milestone in the development of Hong Kong’s capital markets, strengthening its position as a financial risk management and China market access centre of international significance,” he added.

HKEX will inform the market of the contract details and the launch date shortly.

Pursuant to the “Memorandum of Understanding on Supervisory and Enforcement Cooperation on Matters concerning Futures” signed in 2017, the China Securities Regulatory Commission and the SFC have established close regulatory cooperation arrangements on cross-boundary derivatives, including supervisory information sharing and enforcement assistance.

The arrangements will help maintain market integrity and enable the two regulators to better assess and facilitate the long-term development of the A shares index futures contract.

Source: *Securities and Futures Commission*

## ASSET AND WEALTH MANAGEMENT



### Hong Kong’s Asset and Wealth Management Business Maintained Strong Growth in 2020

On 22 July 2021, a survey published by the Securities and Futures Commission (SFC) found that the asset and wealth management business in Hong Kong recorded a 21 percent year-on-year increase in assets under management (AUM) to \$34,931 billion (US\$4,505 billion) as at the end of 2020. The AUM of the asset management and fund advisory business conducted by licensed corporations and registered institutions increased 20 percent to \$24,038 billion and the AUM of the private banking and private wealth management business grew 25 percent to \$11,316 billion.

“Hong Kong experienced strong growth in asset management, fund advisory, private banking and private wealth management business which was supported by strong net fund inflows in 2020,” said Ms Christina Choi, the SFC’s Executive Director of Investment Products. “Strengthening Hong Kong’s competitiveness as a leading asset and wealth management centre will remain one of the SFC’s top priorities in the coming year.”

Other highlights of the survey include:

- Net fund inflows of \$2,035 billion (US\$262 billion) were recorded for the asset and wealth management business during 2020, accounting for 33 percent of the year-on-year increase in AUM
- Assets held under trusts increased 17 percent to \$4,480 billion (US\$578 billion)
- Non-Hong Kong investors remained a major source of funding for the asset and wealth management business, accounting for 64 percent of AUM
- The total number of staff in the asset and wealth management business increased 6 percent to 48,006

Source: *Securities and Futures Commission*

## SECURITIES

### Investor Identification and OTC Securities Reporting

The Securities and Futures Commission (SFC) issued consultation conclusions in August 2021 on proposals to introduce an investor identification regime (HKIDR) at trading level for the securities market in Hong Kong and an over-the-counter securities transaction reporting regime (OTCR) for shares listed on the Stock Exchange of Hong Kong (SEHK).

Under the HKIDR, relevant licensed corporations and registered institutions will have to assign a Broker-Client Assigned Number (BCAN) to each of their clients and tag the BCAN to their clients' securities orders. They will also have to submit to SEHK's data repository the identification data (i.e. names and identity document information) of clients placing securities orders on SEHK or who conduct off-exchange trades reportable to SEHK.

Separately, information about OTC securities transactions in ordinary shares and real estate investment trusts listed on SEHK as well as deposits and withdrawals of physical share certificates will be reported to the SFC under the OTCR.

The HKIDR is expected to be launched in the second half of 2022 and the OTCR in the first half of 2023, subject to the market's completion of system testing and rehearsals.

Source: *Securities and Futures Commission*



## INSURANCE



### China Banking and Insurance Regulatory Commission Further Extends Preferential Treatment for the Hong Kong Insurance Industry

On 5 August 2021, the China Banking and Insurance Regulatory Commission (CBIRC) announced an extension of the preferential treatment accorded to Hong Kong under the "China Risk Oriented Solvency System" (C-ROSS) for another year to 30 June 2022, thus allowing the capital requirement of Mainland insurers ceding businesses to qualified Hong Kong professional reinsurers to be lowered continuously.

The CBIRC said that extension of the preferential treatment is helpful in forging Hong Kong into a global risk management centre while complementing development strategies of the Mainland insurance industry.

The Insurance Authority (IA) pointed out that the preferential treatment is conducive to enhancing cross-border financial connectivity, injecting impetus into the active participation and support of Hong Kong in both the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area development, strengthening its advantages as a regional insurance hub and promoting diversified socio-economic development.



The preferential treatment is based on the Equivalence Assessment Framework Agreement on Solvency Regulatory Regime signed between the former China Insurance Regulatory Commission and the former Office of the Commissioner of Insurance on 16 May 2017. It was implemented by the CBIRC in July 2018 and subsequently extended to 30 June 2021.

Source: *Insurance Authority*

## ■ PRIVATE EQUITY

### HKMA Releases Guideline on Fund Certification for Carried Interest Tax Concession

The Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Ordinance 2021 (Ordinance) came into effect on 7 May, 2021. Under the new regime, profits tax on eligible carried interest will be charged at the concessionary tax rate of 0 percent and all eligible carried interest will also be excluded from employment income when calculating the investment professional's salaries tax.

The tax concessions aim to attract more private equity funds to operate and be managed in Hong Kong, thereby promoting the development of the investment management and related professional services industries in Hong Kong.

On 16 July, 2021, the Hong Kong Monetary Authority (HKMA) issued a guideline on the certification of funds in relation to tax concessions for carried interest (Guideline). The HKMA's certification is an assessment to verify whether applicants meet the criteria set out in the Guideline, including but not limited to the criteria related to qualifying transactions, qualifying carried interest recipients and local substance.

The certification scheme is open to applications. A fund, as the applicant, has to submit to the HKMA an application form and the required supporting documents, including an auditor's report. Details that are required to be set out in an auditor's report in support of a certification application will be announced separately.

Where an applicant meets the criteria in the Guideline, the HKMA will issue the certification to the fund within two months and inform the Inland Revenue Department (IRD) of the issuance of the certification. When claims for tax concessions are made by qualifying carried interest recipients, the IRD will then assess whether the certified fund meet all applicable conditions and relevant provisions under the Ordinance and may request further information in processing the claims for tax concessions.

Sources: *Hong Kong Monetary Authority*



## CONTACT US

If you would like to know more about how InvestHK's Financial Services and Family Office teams can help you to set up or expand your business in Hong Kong, please get in touch. Our services are free, confidential and tailored to your needs.

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### About InvestHK

InvestHK is the department of the Hong Kong Administrative Region (HKSAR) Government responsible for attracting Foreign Direct Investment, supporting overseas and Mainland business to set up and expand in Hong Kong. We partner with clients on a long-term basis and are available at any stage of their business development process.

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