

FINANCIAL SERVICES INDUSTRY NEWS

■ INSURANCE

Initiatives to Facilitate the Development of the Hong Kong Insurance Industry Announced

In the 2018 Policy Address, a number of initiatives were announced to facilitate the development of the insurance industry:

- introducing legislative amendments to allow for the formation of special purpose vehicles specifically for issuing insurance-linked securities (ILS); and
- amending the Inland Revenue Ordinance (Cap. 112) to implement tax relief proposals to promote the development of high value-added maritime services such as ship leasing, marine insurance, underwriting of specialty risks in Hong Kong, etc., thereby providing a new development strategy for the Hong Kong maritime industry.

By forming special purpose vehicles to issue ILS, insurers will be able to use this risk management tool to transfer their risks to the securities market. This will improve insurers' risk acceptance capacity and thus help promote the insurance industry's development in the long run. Apart from providing insurers with an additional risk management tool, this initiative will also provide institutional investors with an alternative investment vehicle for diversifying their investment risks.

The introduction of tax reliefs to encourage the development of marine insurance in Hong Kong will help strengthen Hong Kong's role as the risk management centre for Belt and Road projects and as a regional insurance hub.

Source: www.policyaddress.gov.hk



Insurance Authority Consults on the Financial and Other Requirements for Licensed Insurance Broker Companies

On 23 November 2018, the Insurance Authority (IA) has launched a two-month public consultation on draft Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (the “Rules”) under the new regulatory regime for insurance intermediaries. The IA proposes to update and refine certain requirements to take into account price level changes and other developments to enhance protection for policy holders and foster sustainable development in the insurance sector.

The draft Rules are mainly modelled on the relevant requirements for insurance brokers set out in the Guideline on Minimum Requirements for Insurance Brokers issued by the IA. The draft Rules set out the requirements in relation to:

- paid-up capital and net assets;
- professional indemnity insurance (“PII”);
- keeping of separate client accounts;
- keeping of proper books and accounts; and
- submission of audit and related information

The major proposals include raising the minimum amounts of paid-up capital and net assets of an insurance broker company (from HK\$100,000 to HK\$500,000) and the amount of minimum indemnity limit (from HK\$3m to HK\$5m) for its PII. Such proposals will help ensure that an insurance broker company has sufficient financial resources to meet its operational needs and potential claims for professional negligence against it.

The draft Rules will be effective upon the commencement of the new regulatory regime for insurance intermediaries and applicable to newly licensed insurance broker companies. In relation to existing insurance brokers, the IA proposes to provide a transitional period of some three years to ensure they have sufficient time to raise their paid-up capital and net assets, and to arrange the PII.

Source: www.ia.org.hk

SECURITIES AND FUTURES INDUSTRY

CSRC and SFC Signed MoU to Enhance Supervisory Cooperation and Exchange of Information of Cross-Boundary Regulated Entities

On 3 December 2018, the China Securities Regulatory Commission (CSRC) and the Securities and Futures Commission (SFC) have entered into a Memorandum of Understanding (MoU) regarding the cooperation and exchange of information in connection with the supervision and oversight of regulated entities of the CSRC or the SFC that operate on a cross-boundary basis in Hong Kong and Mainland (Cross-Boundary Regulated Entities).



The MoU facilitates the CSRC and the SFC to cooperate with each other in the interest of fulfilling their respective mandates, particularly in the areas of investor protection, promoting the integrity and financial prudence of Cross-Boundary Regulated Entities, fostering fairness of markets, reducing systemic risk and maintaining financial stability.

Source: www.sfc.hk



HONG KONG FINANCIAL SERVICES INDUSTRY

Hong Kong Financial Services Industry Records Growth in 2017

On 30 November 2018, the Census and Statistics Department released the results of the 2017 Annual Survey of Economic Activities – Information and Communications, Financing and Insurance, Professional and Business Services Sectors. Results on the Hong Kong financial services industry are highlighted below:

- Amongst the sub-sectors, the financing (except banking) industry recorded the largest total receipts in 2017, followed by the insurance industry and the banking industry.
- In the financing (except banking) industry, total receipts amounted to HK\$666 billion in 2017, representing an increase of 10.4 percent compared with 2016. On a per establishment basis, total receipts increased by 9.4 percent compared with 2016 to HK\$81.6 million in 2017. Gross surplus increased from HK\$390.2 billion in 2016 to HK\$430.0 billion in 2017, accounting for 64.6 percent of total receipts in 2017. Value added, which provides a measure of the contribution of this industry to Hong Kong's Gross Domestic Product, increased by 9.6 percent compared with 2016 to HK\$94.8 billion in 2017.
- In the insurance industry, total receipts increased by 15.5 percent over 2016 to HK\$592.8 billion in 2017. On a per establishment basis, total receipts increased by 14.2 percent compared with 2016 to HK\$222.1 million in 2017.
- In the banking industry, total receipts amounted to HK\$425.5 billion in 2017, representing an increase of 12.7 percent compared with 2016. On a per establishment basis, total receipts increased by 19.3 percent compared with 2016 to HK\$1.8 billion in 2017.

Source: www.censtatd.gov.hk

CONTACT US

If you would like to know more about how InvestHK's Financial Services team 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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