

# FINANCIAL SERVICES INDUSTRY NEWS

## GREATER BAY AREA

### Greater Bay Area Measures to Benefit Hong Kong's Financial Industry Announced

On 6 November 2019, the Central Government introduced 16 Greater Bay Area (GBA) policy measures of which four would facilitate the development of the wealth management industry, insurance industry and bond market of Hong Kong.

#### *Cross-boundary wealth management scheme*

GBA is one of the most prosperous regions on the Mainland and there is a rising demand from Mainland residents for offshore assets allocation. On the other hand, many Hong Kong residents have demand for Mainland wealth management products. To meet the cross-boundary wealth management needs of residents in both places, the Central Government agrees to explore the establishment of a two-way wealth management connect scheme. The scheme will open up new markets and business opportunities for the financial services sectors and offer cross-boundary wealth management product choices for residents in the two places.

#### *Preferential treatment on insurance regulation*

The Insurance Authority of Hong Kong and the China Banking and Insurance Regulatory Commission agreed that under the "China Risk Oriented Solvency System", the capital requirement on Mainland insurers would be reduced when they cede business to qualified Hong Kong professional reinsurers. This preferential treatment, valid until 30 June 2020, will help maintain the competitiveness of Hong Kong's insurance sector and provide a sound risk management foundation for Hong Kong to participate and assist in the Belt and Road Initiative.



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### ***Easier market entry to Mainland for companies providing insurance loss adjusting services***

The eligibility requirement on years of operating experience for Hong Kong service suppliers to establish insurance loss adjusting companies on the Mainland will be removed. This measure will lower the threshold for enterprises with distinctive expertise to expand their business to the GBA.

### ***Promote the development of the insurance and bond markets in Hong Kong***

The requirements for establishing special purpose insurers will be relaxed to facilitate Mainland insurers to issue catastrophe bonds in Hong Kong and Macao. This measure will reinforce Hong Kong's role as a platform for Mainland insurers to issue catastrophe bonds, thereby promoting the development of Hong Kong's bond market.

Source: [www.bayarea.gov.hk](http://www.bayarea.gov.hk)

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## **INTERNATIONAL RECOGNITION**



### **International Monetary Fund Acknowledges Hong Kong's Robust Policy Frameworks and Ample Buffers for Addressing Economic Challenges and Safeguarding Financial Stability**

On 4 December 2019, an International Monetary Fund (IMF) Staff Mission commended the resilience of Hong Kong's financial system and the Linked Exchange Rate System (LERS) as well as expressed support for the Government's various policies to safeguard financial stability.

The Mission reckoned that a history of prudent macroeconomic policies has provided Hong Kong with strong buffers to address cyclical and structural challenges. These buffers include sizeable foreign exchange reserves, a large net international investment position, banks' strong capital and liquidity buffers at levels well above international standards, and large fiscal reserves.

The Mission reaffirmed the IMF's support for the LERS, noting that it has continued to function well amid increased global financial market volatility. The Mission underlined that the LERS remains an appropriate arrangement for Hong Kong, anchoring the stability of its highly open economy and globally integrated monetary and financial system.

The Mission commended Hong Kong for strengthening the regulatory and supervisory framework for safeguarding financial stability:

- key Basel III standards, including minimum capital and liquidity requirements, have been implemented, building up banks' strong capital and liquidity buffers
- HKMA updated its liquidity facilities framework to provide more operational flexibility for banks accessing business-as-usual facilities and introduced a new facility ensuring that a bank which has gone into resolution in Hong Kong has sufficient liquidity to meet its obligations

- the Securities and Futures Commission has capped total margin lending to clients by brokers for stock purchases at five times of the brokers' capital since October 2019, which should help safeguard financial stability when facing adverse shocks
- the Insurance Authority is on track to implement a risk-based capital regime for insurance companies with the third quantitative impact study launched in August 2019

The Mission also reckoned that the development of green finance and promotion of financial integration with GBA offer opportunities for Hong Kong to maintain its competitiveness as a global financial centre.

On 30 December, IMF released a Staff Report, which substantiated by a more detailed analysis, reinforces the above assessments of Hong Kong's economic and financial positions and recognises that Hong Kong continues to maintain its competitiveness in the financial sector which is marked by the free movement of capital and information, a simple tax system, a sound regulatory system, the rule of law and quality professional services.

Source: [www.fstb.gov.hk](http://www.fstb.gov.hk)

## ■ PENSION FUND

### The eMPF Platform Sets to Generate New Business Opportunities for Pension Funds Industry

The Mandatory Provident Fund Schemes Authority (MPFA) plans to launch the eMPF Platform starting 2022 with the tender procedure exercise for the eMPF Platform project activated in December 2019, creating new business opportunities for pension funds industry by off-loading the administrative burden of the Mandatory Provident Fund (MPF) System.

The MPF System in Hong Kong provides basic retirement protection for employees in Hong Kong through mandatory savings. The eMPF Platform represents the single largest reform ever carried out by the MPFA, delivering a comprehensive MPF scheme administration service to over four million scheme members and about 300,000 employers through a one-stop, user-centric, common digital platform.

The eMPF Platform will help to level the playing field for all industry players and encourage market competition by rationalising administration processes and reducing overhead costs. The Platform will also bring about a new MPF user experience as it delivers simpler and readily accessible services. For enquiries, please email to [mpfa@mpfa.org.hk](mailto:mpfa@mpfa.org.hk), click [HERE](#) or scan the following QR code:



Source: [www.mpfa.org.hk](http://www.mpfa.org.hk)



## INSURANCE



### Insurance Authority Authorises First Non-Life Virtual Insurer under Fast Track

On 8 October 2019, the Insurance Authority (IA) announced that it has granted the first authorisation of a non-life insurer owning and operating solely through digital distribution channels under a Fast Track scheme. The first life virtual insurer under Fast Track was authorised in December 2018.

The Fast Track scheme was introduced by the IA in September 2017 to provide a dedicated queue for newcomers seeking to operate solely through digital distribution channels. Applicants for Fast Track authorisation must possess an innovative and robust business model, while satisfying all the prevailing regulatory requirements on solvency, capital and local asset requirements to ensure the interests of policy holders are duly protected.

Source: [www.ia.org.hk](http://www.ia.org.hk)

## VIRTUAL ASSETS

### SFC Adopts New Approach to Virtual Asset Trading Platforms

The Securities and Futures Commission (SFC) issued a [position paper](#) on 6 November 2019 setting out a new regulatory framework for virtual asset trading platforms. Platforms which operate in Hong Kong and offer trading of at least one security token may now apply to be licensed by the SFC.

The position paper emphasises that the SFC will only grant licences to platform operators which are capable of meeting robust regulatory standards. These standards are comparable to those which apply to licensed securities brokers and automated trading venues but also incorporate additional requirements to address specific risks associated with virtual assets.

For example, the SFC will impose licensing conditions requiring that platform operators offer their services exclusively to professional investors, only service clients who have sufficient knowledge of virtual assets and maintain stringent criteria for the inclusion of virtual assets on their platforms. In addition, licensed platforms will be placed in the SFC Regulatory Sandbox for a period of close and intensive supervision.

“Regulators need to be open to the benefits of innovation, but they should also be ready to tackle the risks to investors which some financial technologies give rise to,” said Ashley Alder, SFC’s Chief Executive Officer. “We have decided to move ahead with this new regulatory framework because it is clearly in the public interest to enable investors to choose to participate in properly regulated virtual asset trading platforms.”



The SFC's new regulatory framework is aligned with the recommendations of international standard setting bodies. It will help investors identify trading platforms which agree to be regulated or supervised. However, the SFC would like to make clear that virtual assets traded on licensed platforms will not be subject to the same kind of regulation which applies to traditional offerings of securities or collective investment schemes. Moreover, the SFC has no power to grant a licence to or supervise platforms which only trade virtual assets or tokens which do not qualify as securities under Hong Kong law.

The SFC also issued a [statement](#) warning investors about the risks associated with the purchase of virtual asset futures contracts, as they are largely unregulated, highly leveraged and subject to extreme price volatility.

Source: [www.sfc.hk](http://www.sfc.hk)

## SME FINANCING



### SME Financing Guarantee Scheme - 90% Guarantee Product

The 90% Guarantee Product under the SME Financing Guarantee Scheme (SFGS) was introduced on 16 December 2019. Eligible enterprises include smaller-sized enterprises, businesses with relatively less operating experience, as well as professionals seeking to set up their own practices. Each eligible enterprise can obtain guarantee for term loans up to HK\$6 million, with a maximum guarantee period of five years. The application period lasts until 30 June 2022. Please click [HERE](#) or scan the following QR code for details:



Source: [www.hkmc.com.hk](http://www.hkmc.com.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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